

Factors Influencing the Financial Sustainability of the Nonprofit Sector in South Africa

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DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in this dissertation from the work or works of other people has been attributed, and has been cited and referenced.

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ABSTRACT

This study explored the financial sustainability of NPOs within the South African context, post the 2008 economic crisis. The overall aim was to understand the factors which affect NPOs ability to financially sustain themselves. Trends of NPO income and expenditure were analysed and measures taken to address changes in the financial situation examined. The study explored different funding agencies and their role in supporting NPOs. Lastly, perceptions of governance, funding practice, and current situations in organisations were explored and recommendations made for the future.

A quantitative methodology was adopted using the online survey tool Survey Gizmo. Secondary data in the form of financial statements were requested from NPOs. The Inyathelo data base of organisations made up the population of 469 organisations and responses were received from 101 organisations. This was a satisfactory 21,5% response rate. Data was analysed by calculating descriptive statistics. These were represented in a narrative and visually in the form of graphs and tables. Financial data was captured and analysed in order to corroborate the data.

The research found that income to NPOs is not increasing to keep up with inflation. Demand for NPO services has increased due to the global economic crisis and as a result NPOs experience increasing pressure on their financial resources. NPOs are perceived to be critical to the well being of society but the sector is under pressure, with many showing a financial deficit. The sector is looking to government and corporates to help strengthen it, but are also wanting to become less dependent on external sources for their financial sustainability. NPOs are of the opinion that they need to find new strategies to ensure their sustainability. The following are key recommendations: NPOs must be creative about managing increased demand for their services; NPOs should collaborate to advocate for changes in relationships with major financial contributors and work together to promote philanthropy in the country; funders should adjust their funding models in order to strengthen the NPO sector while still focussing on the needs of beneficiaries.

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“For to be free is not merely to cast of one's chains, but to live in a way that respects and enhances the freedom of others.” Nelson Mandela

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ABBREVIATIONS

ADB	Africa Development Bank
BBBEE	Broad Based Black Economic Empowerment
CSIH	Corporate Social Investment Handbook
CSR	Corporate Social Responsibility
DA	Distribution Agency
FPA	Funding Practice Alliance
GEAR	Growth, Employment and Redistribution
IoDSA	Institute of Directors South Africa
NDA	National Development Agency
NGO	Non Government Organisations
NLB	National Lotteries Board
NLDTF	National Lotteries Distribution Trust Fund
NPAT	Net Profit After Tax
NPO	Non Profit Organisation
ODA	Overseas Development Assistance
RDP	Reconstruction and Development Programme
SED	Socio Economic Development
TNDT	Transitional National Development Trust

CHAPTER 1

INTRODUCTION TO THE STUDY

Civil society is an important feature of society worldwide. According to Friedman & Mckaiser (2012:13) civil society is necessary in order for citizens to have a voice in government decision making. He also says that government needs civil society in order to respond to its citizens' needs and desires. In order for civil society to exist it needs government to protect its freedom to associate (ibid). Civil society as a whole is made up of strong representative interest associations, social movements including the Non Profit Organisations (NPO) sector (ibid). This research has focused on all forms of NPOs in South Africa with the purpose of understanding the factors that affect the financial sustainability of NPOs, especially since the economic crisis of 2008. NPOs contribute in several areas of society and economy without any profit motive. They fill the gaps which have not been addressed by the state.

In South Africa, NPOs have played an important role in the development of society and democracy. According to Mark Heywood in an interview conducted by Groundup (2013) says "South Africa is at an economic impasse and there is no apparent exit strategy". He also says that 'civil society' cannot be a passing fad it is a necessary part of democracy because of its role in ensuring accountability and monitoring implementation. He argues that the sector lacks experience and this makes the job of building civil society complicated (ibid). Civil society must build an agenda which is about the 'constitutional dictates for delivery of social services' and about accountability (ibid). Participation is key to our democracy and people must be constantly challenging the state about ensuring that policies are in the best interests of the poor.

The economic crisis of 2008/2009 was the greatest financial crisis since the Great Depression of the 1930s (Yale Global Online 2013). Caused by banking failures in the sub-prime mortgage market

and the knock-on effect in global banking, the global economic crisis resulted in a credit crunch and massive lay-offs. With the world being far more interconnected than it was in the 1930s, the effect was enormous and the tremors were felt all over the world, especially in developing economies (ibid). As a result of this crisis and recession, living expenses increased. The effect for NPOs has been an increase in demand for services and a reduction in income or available funds.

South Africa's vibrant civil society and NPO sector continues to exist despite the global economic crisis. However there have been many efforts by the state to undermine the sector. This attitude came as a shock to many who, post the 1994 elections, were expecting the newly elected government to continue to support and strengthen this sector. Instead NPOs and especially democracy promotion or social justice organisations were seen as a threat and in a few instances there have been costly court actions between the state and NPOs. An example of this was the much publicised court action between the Treatment Action Campaign and the state over the rights of people with HIV and Aids to have access to anti-retrovirals (Heywood 2010). Other cases have been about housing, pensioners' grants and more recently the funding relationships between state departments and agencies like the National Lotteries Distribution Trust Fund (NLDTF) and NPOs as documented in Camay (2010) and Budlender (2011) respectively. Considering that the state relies heavily on NPOs to deliver services, these actions seem costly and unnecessary.

Financial sustainability is a critical element for ensuring that NPOs continue to exist and offer their services beyond the current financial year or period. Financial sustainability of organisations involves fundraising strategies and methods, marketing, governance, leadership and management and building of partnerships. The external factors that affect the financial sustainability of organisations include; the current situation in the country (referring to the economy and the political situation), attitudes of foreign governments and local and international corporates and international

and local faith based organisations. This study pays attention to many of these factors.

NPOs have relied heavily on funding from the South African government and international community to ensure their sustainability. According to Kilbey (2010:69) the social services sector is reliant on funding and especially subsidies from the state. There have been constantly changing goal posts for these organisations, which have consumed their financial resources and time. This includes having to attend meetings and courses to keep abreast with changes, to ensure that staff have relevant skills.

The trend prior to the election of the new government was for funders, especially those funding democracy promotion NPOs, to be more flexible in terms of planning and reporting requirements. NPOs did not have to be as transparent and accountable to donors and their beneficiary constituencies compared with the current expectation of donors (Kabane 2010). It could be said that this situation contributed to NPOs being inefficient and ineffective in delivering their services (ibid). Development fatigue (ie. limited results for the financial investment) has contributed to reduced available financial aid to governments and NPOs in developing countries (Bird 1999). It could be assumed that this fatigue has contributed to greater attention being paid by funders, to proper planning of programmes and the results of these programmes. This requires a higher level of skill in organisations and for NPOs to pay greater attention to new developments in the field.

The ease with which funding grants were given prior to 1994 and the size of some of these grants, suggests that fundraising was easier and therefore required less skill. Evidence in literature suggests that NPOs are struggling with fundraising for their organisations (Critical Perspectives on Sustainability of the South African Civil Society Sector 2012). This, coupled with an increasing number of organisations being registered, has increased competition for limited resources. It was

reported that there were around 85,000 registered NPOs in the country in 2012 (NGOPulse 2013).

Government funders that were set up to contribute to the sustainability of the sector such as the National Development Agency (NDA) and the National Lotteries Distribution Trust Fund (NLDTF), have been severely criticised by the sector (Benjamin-Liebert & Liebert 2011). They are also not able to cope with the high demand made by NPOs on their funds. This in addition to poor administration has resulted in the perception that they are not making the contribution to NPOs that they were intended to make.

This study was conducted in order to understand the factors influencing the financial sustainability of NPOs in South Africa. The research aim was to determine the factors that affect the sustainability of the NPO sector and to understand the role of different funders in supporting NPOs. The research sought to explore the current financial situation for NPOs; the ways that NPOs have dealt with issues of sustainability; relationships with government and corporate funders; issues of governance; funding practices; and what NPOs perceive should be done in the future to strengthen the sector. The research also explored some value propositions for the NPO sector, such as, the significance of the sector as an employer and its financial contribution to the economy.

Using a quantitative research method in the form of a questionnaire and secondary data from financial statements, the researcher attempted to measure; trends since the 2008 economic crisis; different factors affecting the NPO sector and its sustainability; perceptions of different funders; and perceptions of what should be done in the future. The identification of trends in terms of the financial sustainability of NPOs would enable organisations to focus their efforts on addressing issues of financial sustainability. It is evident from the results of the research that NPOs in South Africa must look at new models of financial sustainability. There is a need to move away from

dependence on external sources of funding to greater self-reliance and partnerships between NPOs to strengthen efforts at meeting the needs of beneficiaries.

This report consists of six chapters;

Chapter 1: Introduction to the Study aimed to introduce the reader to the study and the importance of the study to the NPO sector in South Africa.

Chapter 2: Background and Framework of the Study aimed to explain the background and rationale for the research, research questions and objectives, clarification of concepts and the theoretical framework for the study.

Chapter 3: Research Design and Methodology presents the research design and methodology used in this study.

Chapter 4: Literature Review looked at relevant literature related to the context of the NPO sector and its financial sustainability.

Chapter 5: Presentation and Discussion of Findings represented through a narrative and visually in the form of graphs and tables, the findings of the research from the questionnaires and the secondary data.

Chapter 6: Conclusions and Recommendations sets out the conclusions and recommendations, which were arrived at after the analysis of the findings from the research.

CHAPTER 2

BACKGROUND AND FRAMEWORK OF THE STUDY

2.1 Introduction

This chapter starts with a background to the study and why the study will make an important contribution to understanding issues of financial sustainability for the NPO sector in South Africa. Following on from this, the researcher describes the problem and the rationale for the study. In this chapter the research process, research questions and objectives and research concepts are explored. Finally the theoretical framework for the study was explained, especially in relation to the research being conducted.

2.2 Background to the Study

South Africa is now in its 20th year of democracy and has one of the most progressive constitutions in the world. This was a hard-won situation with many individuals having risked their lives and spending many years in jail in order to achieve this democracy. Some notable individuals played a critical role, however, this democracy was not won by individuals but rather by an organised civil society. These were made up of social development, educational, health, welfare, arts and culture, sporting organisations and others. Post apartheid, these organisations have faced increasing challenges in raising funds which was exacerbated by cut-backs and reductions in staff and resources such as buildings, vehicles and equipment. As a result, society faces a reduction in services and collective action.

Financial sustainability is always an important factor in the life of an NPO and since the economic crisis of 2008 issues of sustainability have become critical for civil society organisations. NPOs need money to pay salaries, run offices and implement programmes. In addition to the financial crisis, funding from government has changed as government moved from development through the

RDP (Reconstruction and Development Programme) to growth through GEAR (Growth, Economy and Redistribution) (Visser 2004:6-9). It has also been well documented that NPOs have had extremely frustrating experiences of receiving funding from both the National Lotteries Distribution Trust Fund and the National Development Agency (NDA). Both agencies were set up to strengthen the sector.

Foreign funding appears to have reduced. This is probably because of changes to bilateral agreements between the South African government and other governments, and the move from financial aid to trade relationships. With high levels of poverty in countries such as Malawi and Mozambique, foreign governments, which traditionally prioritised South Africa and the NPO sector, are refocusing their financial aid priorities.

Corporates have also been playing a more prevalent role in supporting NPOs in the past few years (Corporate Social Investment Handbook CSIH 2012). It appears that this has resulted contributed to a move toward more strategic and focused financial support to projects in poor and disadvantaged communities.

The research study aimed to explore and gain a better understanding of financial sustainability for NPOs in South Africa. The study concentrated on different aspects of financial sustainability. It then addressed perceptions NPOs have of different funders such as government departments and agencies and corporates. Finally, the research concentrated on recommendations for the future.

2.3 Statement of the Problem

Financial sustainability for NPOs is about “...maintaining the ability to be financially agile over the long term, and to be able to expand services while developing resilience to short-term economic

shocks” (Sontag-Padilla & Stapelfoote 2012: 2). This is especially important because NPOs serve high-need communities that require consistent and available services. Organisations may be sustainable in the long term but be short of cash in the short term. Conversely in the long term NPOs could have adequate cash but inflation will cause the value of assets to erode over time (ibid). NPOs' ability to pursue their missions and financial sustainability are inextricably linked (ibid: 2). NPOs also have to balance effectiveness (ie producing the desired result) with efficiency (adequate results in proportion to cost) (ibid: 3). There are two issues relating to financial sustainability which NPOs have to balance. The first, '*profitability*' refers to the working capital to support or continue programmes and services. The second, '*mission impact*' refers to ensuring that programmes align with the mission of the organisation, are excellent, have a broad reach or deeply impact on individuals and communities, contribute to community building and increase the impact of other programmes in the community (ibid:3).

According to Stuart (2013) the number of NPOs in South Africa has grown to as many as between 80,000 and 100,000 registered organisations and an estimated 50,000 unregistered ones. This was probably due to the high levels of inequality and religious or ethnic heterogeneity. Stuart (2013) argues that there are two types of organisations in the country, the first being service driven and the second focusing on human rights, advocacy and monitoring. Green (2012 :29) states that poverty is still rampant and not enough has been done to alleviate the problem. For South Africans the greatest challenge is to reduce poverty and inequality. Government departments and NPOs must work together to develop anti-poverty programmes in order to improve the quality of life of poor and vulnerable people in South Africa. (ibid: 38).

The state's focus has shifted from taking responsibility for the poor, to promoting community responsibility. The intention was to force increased reliance on self-help, ubuntu and partnership

(ibid:40). At the same time as reducing state subsidies to NPOs, government has increased the social security budget, thereby becoming the state's major poverty-alleviation programme. The state has also been withdrawing from many areas of social support leaving NPOs to fill the gap (ibid).

One of the greatest threats to the hard-won democracy in the country is the weakening of civil society. NPOs face increasing challenges with regard to their financial sustainability. These include the growth in size of the NPO sector; increased demand for NPO services; changing relationships with foreign, corporate and government as funders; and increased demand for professionalism and accountability. A lack of understanding of the situation results in poorly thought through strategies to address limited funding, often costing organisations money and time. Ultimately, it is the most vulnerable that will be affected if NPOs are not able to develop well thought through responses to the funding situation.

Investing in NPOs is key to influencing positive change in South Africa, especially if we are to meet the needs of the poor and vulnerable and make shifts in terms of the differences between the rich and the poor. South Africa needs a strong and well resourced NPO sector, which creates the opportunity for people to participate in constructive action and caring for the most vulnerable in society. An important role of NPOs, in addition to its service role, is its ability to serve as a watchdog for government excesses, corruption and oversights when it comes to the poor, vulnerable and marginalised.

2.4 Rationale for the Study

According to Heintz (2006: 6) “...the existence of NPOs is proving to be a necessity rather than a luxury in the modern world”. He says that the history of the 20th century has demonstrated the inability of the welfare state and free enterprise to create just and sustainable societies. NPOs

provide opportunity for the self-organisation of society; promote local initiative and problem solving; and they reflect the diversity of society itself. Most importantly Heitz says that “...NPOs enable experimentation and social change by taking on challenges that private and public sectors can't or won't”. Taking into account the important role of NPOs in society, a research of this nature is valuable as it helps to increase knowledge and understanding of the current situation with regard to financial sustainability for NPOs, and the challenges that the sector faces.

NPOs need options on how to address the issue of financial sustainability in the future. Through this study the researcher attempted to identify a value proposition for NPOs in the country, which goes beyond the role of NPOs as a safety net for the vulnerable and a watchdog to protect our democracy. Quantitative research is valuable in that it generates information in a time and cost effective way without being influenced by researcher bias. Secondary data generated through information collected from financial reports was valuable in that it helped to verify trends identified by the survey and corroborate or identify possible issues for follow up in future research.

2.5 Study Process

The researcher initiated the study process by conducting a broad literature review of the NPO sector; regulation and legislation affecting the sector; fundraising for NPOs and the development of fundraising; sources of funding; and fundraising approaches. Literature in the form of books, print journals, online newspapers, online journals and other published research including theses were reviewed in order to contextualise the research. This process helped add to the researcher's existing knowledge from experience, of the topic being studied.

Following the literature review, the researcher designed a research process and developed a questionnaire that asked questions related to all the aspects that were covered by the literature

review. In addition, respondents were asked to send in their 2012 audited financial statements for review as secondary data. The purpose of this was to have accurate information that could be used to compare with information that was submitted as part of the survey and also to help with analysis of some aspects that were not included in the survey. Data was analysed using tools designed by Survey Gizmo and Microsoft Excel. The results of this were analysed and discussed by the researcher. They were also visually presented in the form of graphs and tables. Finally, meaningful conclusions and recommendations were discussed, which were highlighted by the analysis of the data.

2.6 Research Aims and Objectives

The main aim of this study was to understand the factors that were affecting the financial sustainability of NPOs in South Africa. The study sought to understand the different strategies and methods that NPOs use to ensure that they are financially sustainable, as well as look at the impact of recent economic and political events on the funding situation for NPOs. The researcher focused on some of the most important funders in South Africa, including government departments, the National Lottery Distribution Trust Fund (NLDTF) and the National Development Agency (NDA) and South African corporates. The study sought to develop an understanding of NPOs strategies and capacity for fundraising, governance and funding practices and how these impact on financial sustainability. The study also explored recommendations for ensuring the future financial sustainability of NPOs in the country.

2.6.1 Topic

This research study investigated **“Factors Influencing the Financial Sustainability of the Nonprofit Sector in South Africa”**.

2.6.2 Main Research Questions

Central Research Question:

To what extent are NPOs in South Africa experiencing threats to their financial sustainability and what are their perceptions of current funding practices?

Associated Research Questions:

1. What is the current situation with regards to the financial situation of NPOs in South Africa?
2. What are NPOs finding challenging in terms of securing their sustainability in South Africa?
3. What methods are NPOs using to secure their sustainability and to what extent are these successful?
4. What are the perceptions of NPOs of their experiences of government as a funder?
5. What are the perceptions of NPOs of their experiences of corporates as funders?
6. What are the perceptions of NPOs of the governance of their organisations?
7. What are the perceptions of NPOs of current funding practices?
8. What are the perceptions of NPOs of the current situations in their organisations?
9. What are the perceptions of the future for NPOs in terms of securing their sustainability?

2.6.3 Research Objectives

The following are the objectives of the research;

Research Objective 1:

To explore and understand the current situation in the sector and perceptions of the challenges in terms of strengthening and supporting the NPO sector.

Research Objective 2:

To ascertain perceptions of factors, which are affecting the financial sustainability of the sector and how organisations are addressing these factors.

Research Objective 3:

To examine experiences and perceptions of key funding agencies and their impact on the sustainability of the NPO sector.

Research Objective 4:

To explore perceptions of the state of governance in NPOs and the extent that this is strengthening the sustainability of NPOs.

Research Objective 5:

To understand perceptions of NPOs of their experiences of funding practices.

Research Objective 6:

To understand the NPO sector's view of the future and the strategies which are required in order to ensure that the sector is sustained.

2.7 Operationalisation of Concepts

Non-profit Organisations

Non-profit organisations or NPOs are also often referred to as non-government organisations (NGOs) or civil society. For the purpose of this study, they are referred to as non-profit organisations. They are set up for the purpose of social services, charity or welfare, or for a group to achieve a common goal, such as a sport or cultural organisation. These organisations may or may not be registered in South Africa according to the Nonprofit Organisations Act (No 71 of 1997). In terms of the NPO Act (No 71 of 1997) section 1.(1) (x) a nonprofit organisation means:

...a trust, company or other association of persons - (a) established for a public purpose; and (b) the income and property of which are not distributable to its members or office bearers except as reasonable compensation for services rendered.

Funding

Finding a definition for funding that is broad and includes what is addressed by the research was challenging. 'Funding' for the purposes of this research was defined as all forms of revenue for

NPOs, which in its intention is not always philanthropic or developmental. It includes international development finance, corporate social investment and finance from government. It also has philanthropic and charitable giving on the spectrum. There are different sources of funding. They differ depending on the source from which the money is raised ie. Government grants, company profits, personal wealth or altruistic giving. The purpose for which the money is given also varies ie. to avoid paying excessive taxes; ensuring the business meets its BEE requirements; development aid that has many different foci; giving for the reason of wanting to see change; or contributing to a particular area of interest such as health, education or sport etc.

Fundraising

According to Merriam-Webster (2013) the definition of fundraising is: "...the organised activity of raising funds for an institution or a political cause". This, and other definitions are limited. For the purpose of this study fundraising is defined as: "The process of soliciting and gathering voluntary contributions such as money or other resources through donations from individuals, businesses, charitable foundations, and or governmental agencies." Historically, fundraising consisted mostly of asking for donations on the street, or at people's doors, but new forms of fundraising have emerged in recent years.

Funder

A funder is a source of revenue. These include individual/s; a foundation; another organisation; a government department/s; foreign governments; or faith based institutions. This income is regular, usually linked to contracts and contributes to organisations' costs either in part or as a whole. Funders may also focus on a specific project or a cost item such as salaries or a building.

Funding Practice

Funding practice is the collection of practices, which are applied by funders when relating to NPOs. It is implied that there are effective funding practices and that these should be adhered to in order to ensure the survival of non-profits. These practices refer to the quality of the relationship between the parties; the administration of the grant process; financial and narrative reporting processes; and the termination of the relationship.

Financial Sustainability

In relation to NPOs, financial sustainability refers to the organisation's ability to endure financially grow services and be there for beneficiaries in the long term (Sontag-Padilla & Stapelfoote 2012: 2). Financial sustainability depends on the quality of governance; the sources of income; leadership, planning and strategies of the organisation to bring in money and manage income. Ensuring financial sustainability includes developing strong stakeholder relationships; having a broad range of funders; assessing and managing risks; and carefully managing overhead costs (Mango 2013). The defensive ratio is a tool used to ascertain an organisation's financial health. The defensive ratio ($[\text{cash} + \text{marketable securities}] / [\text{operational expenses} / 365]$) measures the length of time in terms of days that an organisation would be able to pay for its operations, based on current assets and liabilities and its most recent annual expenditure (Non Profit Answer Guide 2014). This tool lets an NPO know how long your cash reserves will last.

Governance

According to Wyatt (2004: 6) the term governance means “..to steer, guide, or direct the ways in that power is assumed, conveyed and exercised within society or an organisation”. In the NPO sector good governance is based on a system of checks and balances that ensures that the public interest is served (ibid). In order to ensure good governance there must be a distinction between

organisational entities, management and the governing body (ibid). In order to ensure good governance, organisations must pay attention to the distribution of decision making power. The goal is to ensure that power and resources don't accumulate in the hands of a single individual or group (ibid). Good governance ensures that the organisation's resources are well managed and safeguard the NPOs public service orientation (ibid).

Philanthropy

Philanthropy is about giving money or resources in some form to an organisation for the improvement of society. While there are many forms of giving, they are not necessarily philanthropic as they should involve a level of altruism. Richie et al (2011:13) defines philanthropy as:

...the practice of investing money strategically in social development initiatives designed to have positive, long-term, systemic impact. This requires a comprehensive approach on the part of philanthropists, funders and donors, not only what they invest in, but how they engage with and build their investments partnerships with non-profit organisations.

2.8 Theoretical Framework

The research was based on the systems theory. This theory was relevant in that it refers to the system as a “complex of interacting components together with the relationships among them that permit the identification of a boundary-maintaining entity or process” (Laszlo & Krippner 1997: 2). Laszlo & Krippner (1997) says that social and psychological phenomena tend to resist quantitative modelling. As a result alternative approaches must be relied upon, and this body of knowledge is known as the General Systems Theory (ibid).

Systems theory identifies the multiple roles of a system, be they a family, or an orchestra, or in this case an NPO, and says that the boundaries between the system and the environment may not be easy to define (Laszlo & Krippner 1997:2). A system is made up of its purpose, the purpose of its

parts and the purpose of the system within the supra system (ibid). In relation to NPOs each organisation is a system and has a role, (disability, women and children or HIV) within the supra system. Within the NPO system (organisation), there are roles such as the director, fundraiser or the fieldworker. The organisation is part of the sector it specialises in as well as part of the greater NPO sector (which is referred to as the NPO sector). NPOs also exist within a particular community and society. The environment for the moment, is complex in that the needs for services seem to be increasing, but the available resources are decreasing .

Laszlo & Krippner (1997:4) says that, “The advantage of systems theory is its potential to provide a trans-disciplinary framework for the exploration of the relationship between our perceptions and conceptions and the worlds they purport to represent”. The intention of this research was to quantitatively measure the perceptions of leaders of NPOs of the situation with regard to funding. Laszlo & Krippner (1997) explains that systems theory helps to make the complex dynamics of human bio-psycho-socio-cultural change comprehensible. Systems theory is different because instead of seeing the world as chaos it helps us to understand the world, as does research of this nature (ibid).

Systems theory was first proposed in 1936 by the biologist Ludwig von Bertalanffy and further developed by Ross Ashby. Heylighen & Joslyn (1992) states that, “Von Bertalanffy was reacting against reductionism and attempting to revive the unity of science.” Von Bertalanffy emphasised that real systems are open to, and interact with their environments. Systems can therefore acquire qualitatively new properties through this interaction, which results in continual evolution (ibid).

In terms of understanding society, the concept of systems serves to identify the interacting components and the relationships between them (Laszlo & Krippner 1997:11). The systems

approach attempts to view the world in terms of integrated systems. It focuses attention on the whole, as well as the complex interrelationships among its constituent parts (ibid). The systems way of viewing the world was not an alternative, but a complement, to the specialised way (ibid).

Prior to the emergence of the systems theory, a specialised way of seeing things, held most exclusive sway in modern science (ibid). Laszlo & Krippner (1997:11) argues that the specialised perspective views “... the world and all that it contains, as an assembly of small and distinct parts, fit largely for analysis and study in isolation”. The difference with the systems theory was that it sees the world in terms of integrated systems. It focuses attention on the whole, as well as on the complex interrelationships among its constituent parts (ibid).

Laszlo & Krippner (1997:11) argues that the specialised approach has created an orientation toward decision making based on individualism, competition, training for a specific profession and indoctrination into a specific culture. Laszlo & Krippner (1997: 11-12) says that, “...the systems approach encourages the development of a global, more unitary consciousness, team work, collaboration, learning for life, and exposure to the universal storehouse of accumulated knowledge and wisdom”. This was relevant in a study about the NPO sector, which although affected by competition and individualism, is mostly intended to be about working together and collaborating for a better world.

2.9 Conclusion

This chapter explored the background to, and rationale for the research study, and the manner in which the research was conducted. The researcher explored the problem statement, research questions and objectives for the study. A number of concepts are used in this study and there could be different interpretations of these concepts. For the purpose of this study these concepts have been explained. The researcher also explored the chosen theoretical framework for the study and

explained its relevance to the area of study.

The following chapter describes the research method and design. The chapter explains the reasons for the method and design chosen and then goes on to explain how these were implemented. Finally the section on research process explains how the method and design unfolded and some of the lessons learnt through this process.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter will focus on the design and methodology of the study. This section was important for determining the validity and accuracy of the data as well as the limitations of the study. A quantitative paradigm was used to determine the perceptions and experiences of NPOs of the factors that influence the sustainability of the sector in South Africa. The research paradigm that was used, will be explained and explored, followed by a look at the population and sample that was selected for the study. The method of data collection was explained as was the manner in which data was analysed. Lastly, the chapter provides a review of the ethical considerations, the limitations of the study and reflexivity.

3.2 Research Design

This study was explorative in nature, in that it explored the perceptions of NPOs of the factors affecting the financial sustainability of the NPO sector in South Africa. Babbie (2005: 97) says that the explorative method is typical when a researcher is examining a relatively new area of interest. Exploratory studies according to Babbie (2005) seldom provide satisfactory answers to research questions. These studies hint at the answers and give an indication of other research which could give definitive answers (ibid). This research, however, explored both perceptions of the situation, as well as statistics, which highlight current trends. This research also explored possible strategies for addressing the current situation and future possible challenges of sustaining NPOs in South Africa.

In addition to being an exploratory study, this study also contained elements of descriptive research in that it intended to describe the current situation in terms of funding for NPOs in South Africa. According to Babbie (2005: 99) many social work studies try to describe situations and events. In this research, data was collected to help describe the current situation and make generalisations.

Epistemology refers to "...the theory of knowledge, and quantitative methods have epistemological roots in logical positivism (Grinell 2008: 95). Logical positivism refers to "...a theory of meaning in that a proposition was acceptable only if there are data derived from a quantitative research study that determines whether a proposition was true" (ibid). According to Rubin and Babbie (1997:5) science is different from inquiry (a natural human activity), because it guards against some of the common errors in inquiry. Research design "...refers to all the decisions researchers make in planning the study" (ibid). Those decisions include the design, sampling, sources and procedures for collecting data and measuring the data and data analysis (ibid).

Within the parameters of positivist research, the researcher used a quantitative methodology. The researcher used an on-line survey method as it was important that questions be answered analysing numerical data. The positivist argument for this research paradigm was that positivists and post-positivists emphasize objectivity, precision and generalizability in their enquiries (Rubin and Babbie 1997: 37-38). Post-positivists recognise that observation and measurement cannot be purely objective, however, they attempt to minimise and anticipate the impact of potential un-objective influences (ibid). Both positivists and post positivists use highly structured, quantitative research methods although post-positivists may use some qualitative methods (ibid). For the purpose of this research the methodology was purely positivist.

The quantitative paradigm was also adopted for this study because it relied heavily on financial data and quantifiable constructs, such as amounts of income and expenditure for a year. Issues of financial sustainability lends itself to empirical measurement. In addition to the benefit of gathering data from which it was possible to make generalisations, was the fact that a relatively large population could be reached in a fairly inexpensive way. The quantitative research method allowed the researcher to ask questions in a standardised format. This allowed for analysis of data to be done

objectively. Another benefit was that it was easy to ensure that respondents remain unequivocally anonymous resulting in more honest responses and limiting researcher bias. Although the researcher could identify organisations by their names once the data was analysed, it was almost impossible to link specific data to an organisation.

The process of this survey research involved 1) population and sample selection 2) questionnaire construction , 3) data collection, and 4) data analysis.

3.3 Research methodology

3.3.1 Population

A study population is the group of people about whom we want to draw conclusions. (Babbie 2005: 121). Some researchers decide to limit their study populations and these decisions must be made clear in the research (ibid). The population chosen as the unit of analysis for this study was the NPO sector. Since this study was intended to focus on the NPO sector as a whole, it was vital that a range of NPOs was included so as to ensure a representative sample of the entire NPO sector. The biggest challenge was to determine the population to be sampled because of the size of the sector and the amorphous nature of the sector. It was estimated that there could be as many as 100,000 registered NPOs and 50,000 unregistered ones (Stuart: 2013). The researcher therefore decided to use the Inyathelo Institute for Advancement database of NPOs. The focus of Inyathelo's work ensured access to a range of NPOs representing the sector. It was also possible to reach the full database because of its size.

According to the Inyathelo South African Institute for Advancement web site, “the organisation works to build a vibrant democracy in South Africa by strengthening civil society organisations and higher education institutions, and develop a strong philanthropic movement, rooted in the African cultural heritage of sharing”. The organisation's mission is “to help build a strong, stable civil

society and democracy in South Africa by contributing to the development of sustainable organisations and institutions”. Inyathelo's programmes focus on strengthening civil society, building higher education, growing local giving and promoting advancement. In the most recent 2013 Annual Report the Chairperson Zenariah Barends asks, “...how much more effective could we be in South African if we all collaborated, shared ideas and supported each other's work, expanding the reach and impact of what we do and how we do things” (Inyathelo.org.za 2014).

In addition to working with NPOs Inyathelo also works with tertiary institutions and funding organisations. For the purpose of this research these were excluded from the database. There were also duplicated entries for some organisations because Inyathelo had interacted with more than one person in some of the organisations that it has worked with. A total of 494 NPOs were sent the preliminary email. However, after following up on emails which were returned the researcher excluded organisations that no longer exist or cannot be contacted via email. The final number of NPOs which were sent the survey was 469. This made up the survey population.

3.3.2 Sampling

The process of selecting observations is sampling (Babbie 2005: 200). The probability sampling method was used for this research. The motivation for using this method was to ensure that the sample best represented the population. Although the Inyathelo database was not a comprehensive list of all NPOs in the country it does meet the criteria for being a population. Probability sampling methods are those where the probability of elements being selected was known in advance. Nothing but chance determines which elements are included in the sample (Grinell & Unrau 2008:143). The respondents to this research all came from the population and therefore became the sample. Each organisation contacted had the same opportunity to participate in the survey in that they were all on the Inyathelo database and were all contacted via email. The researcher received a final total of 101 responses to the survey. This was 21,5% of the total population. A further 61 organisations

submitted incomplete surveys. These were not used for the purpose of this research because most had only completed the first page of the survey.

3.3.3 Data Collection

The data collected for this survey was achieved using two methods. Primary data was collected using the survey method. Self administered online questions were used to collect the data because it was the quickest and most effective method of gathering data. Secondary data, was collected by asking NPOs to send in their financial statements.

Survey research, according to Engel & Schutte (2009:249), owes its popularity to versatility, efficiency and generalisability. A well designed survey can enhance our understanding of just about any social issue. The advantages according to Rubin & Babbie (1997:363) of self-administered questionnaires over an interview are economy, speed, lack of interviewer bias, and the possibility of anonymity and privacy to encourage more candid responses on sensitive issues. Another strength was the standardisation of data collected, and the amount of data that could be collected. Surveys have the potential weakness of being artificial and potentially superficial. However, the researcher felt that this was outweighed by the value of quantitative data which can generate useful insights.

The researcher chose to use the Survey Gizmo online survey and software collection tool. Web surveys are becoming the more popular form of internet survey because they are so flexible. The method allowed the researcher to include definitions and explanations for how to complete a question. Lengthy response options survey questions were dealt with using a drop-down menu. Answers were recorded directly in the researcher's database which eliminated data entry errors and allowed reports to be generated quickly (Engel & Schutte 2009: 289).

Survey Gizmo allowed the researcher to target a population and be quite specific about the group of people the researcher wished to reach. It was believed that the target population from which the researcher intended to gather information would have access to the internet and to email. The reason being that in order to fundraise successfully in the new millennium, it is critical that an organisation has up to date technology.

The electronic survey was cheaper than a postal survey, which was made even more cost-effective because of the low cost for students to use the software. The cost was only \$7 dollars a month, which currently averages at around R77.00. The researcher had to have access to a credit card in order for the money to be deducted and this deduction took place on a monthly basis until the research was completed. Survey Gizmo was an excellent tool, which was user-friendly and managed by an established software company (<http://www.surveygizmo.com>).

Survey Gizmo also offered on-line tutorials and very good support. Support questions that the researcher sent to Survey Gizmo via email were answered within 24 hours. At times these were technical questions and other times they assisted with small glitches related to the database. Electronic surveys, such as the one managed by Survey Gizmo, have the advantage of easier data capture, as this process was automated through the software system. There were a few challenges with the analysis of data, as the collection mechanisms did not always cope with the data requested. Survey Gizmo did however allow the researcher to access each individual response and as a result the researcher could use Excel to analyse data that was not properly analysed by the tool. The researcher manually inserted this information into a spreadsheet and from this an analysis was conducted.

Survey Gizmo has a range of question types and styles to choose from as well as a range of validations that may be set, which allowed for questions to be linked, allowing respondents to only fill out relevant questions. Respondents could skip over sections that were irrelevant to their organisation making the survey seem shorter. The tool also offered a 'save and continue' function, which allowed respondents to complete the survey at their leisure. Since the survey was long and took between 10 and 30 minutes to complete, depending on how many questions the organisation had to answer and the accessibility of information requested, this tool was an added benefit.

The researcher mostly made use of close-ended questions. This was because the survey was already long and it was easier for respondents to just choose a suitable box or enter a numerical value. There was only one question, which required a comment. Mostly the respondents had to respond to statements with 'strongly agree', 'agree', 'unsure', 'disagree' and 'strongly disagree' as the options. There were also radio-box questions (single answer selection) and check-box questions (more than one selection can be chosen in response to a question).

High response rates are important to provide legitimacy to surveys and ensure a high level of confidence in statistical estimates. According to Millar & Dillman (2011:249-269) internet surveys are an increasingly popular alternative to traditional survey modes, but their response rates are typically lower than those of mail surveys. In the article by Millar & Dillman, it was suggested that token cash incentives be offered in order to increase response rates. This however only achieves improved retention rates of 2.8% and 4.2% points (ibid). Since the benefit was minimal in terms of increasing response rates, the researcher decided against this as a suggestion. With relatively small effect it was deemed unnecessary in terms of improving the response rate for this research. Messer (2009:65) also argues that internet methods are desirable in terms of costs and time saving, even taking into account the lower response rate.

While mail and web methods can be combined to improve response rates the researcher was trying to avoid the cost of sending out postal surveys and benefit from the immediacy of sending email surveys. The target population for this research was largely capable of using the internet to complete surveys, so it was not felt that in terms of a cost analysis the result would vastly improve. Messer (2009:61) found that the combination method provided little value. It was therefore decided to only use the email method.

3.3.4 Data Collection Tool

The questionnaire was compiled after a process of five drafts, which were presented to the research supervisor. Once the research supervisor was satisfied with the questionnaire, it was sent to three colleagues, who are considered to be experts in the field of fundraising and sustainability for the NPO sector. The purpose of this was to ensure that no areas of sustainability for NPOs had been omitted from the questionnaire. Based on the suggestions made by the recipients of the pilot, further amendments were made and the survey was sent back to the research supervisor for final confirmation. The questionnaire was included in Appendix B.

The survey was divided up into ten sections. Section one included two questions, to establish whether the survey was being completed willingly and that the respondent understood that information would be kept anonymous. Section two asked for organisational information; section three focused on financial information; section four referred to funding and how organisations resource themselves, trends in funding and how organisations market themselves; section five referred to funding from government departments and agencies; section six asked questions related to the corporate sector as a funder; section seven looked at the current situation in organisations; section eight dealt with governance; section nine with funding practices; and section ten with the

future situation. The last section asked respondents to share their recommendations for the sustainability of the NPO sector in a narrative format.

Once the structure and content of the survey was completed the questionnaire was recreated in the electronic format. The survey was tested by five professionals who were not given any further information, other than the cover email on how to complete the survey. All the test respondents were able to complete the survey and submit it to the researcher without experiencing any difficulties. The researcher also sent an email link to the research supervisor to test the survey and once the pilot process was finalised it was decided that the survey was ready to be sent out.

In addition to the primary data, secondary data was collected. The data was collected in the form of financial statements, which were either sent in by the organisation or collected from the web site of the organisation. The request for this data was included in the preliminary and initial email and on the front page of the survey where the researcher asked for the 2012 audited financial statements. The intention was for this information to be used to verify some of the trends identified by the survey and to gain further insight into the situation.

3.3.5 The Survey Process

The researcher started the process by ensuring that all the names on the database were from NPOs. In some instances the email address of organisations were missing from the database but there were phone numbers or names of contact people. The researcher then contacted the organisation and asked for the email address of the relevant person or asked who the most senior person was in the organisation and for their email address and contact number. Some NPOs had two contact names for the organisation. The researcher then selected the most senior person in the organisation to be contacted or left both names on the database, but registered both people as one contact.

Once this process was complete, a preliminary email was sent to 495 organisations telling them about the survey and asking them to participate. In this email they were advised that they would receive the survey in about two weeks. This gave participants the opportunity to decide who in the organisation should respond to the survey and whether the organisation was willing to participate. A number of NPOs responded immediately indicating an interest in the survey and a few responded saying they would not be able to participate mostly due to time constraints. The email included basic information about the survey and the importance of furthering the body of knowledge around the sustainability of NPOs in South Africa. The email also included information about the researcher and gave possible respondents the opportunity to request further information about the survey. A few NPOs responded asking for more information. At this stage a number of emails returned and the researcher was able to follow up with organisations to get alternative emails or exclude organisations that no longer exist. A further email was sent to organisations that could be contacted. In some instances NPOs had either closed down or moved and no longer had a web site or a Facebook page. There were 25 organisations that could not be contacted.

After two weeks a further email giving more detail about the research. A hyper-link was included in the email that took respondents directly to the survey. Respondents were then advised to click on the hyper-link if they wished to start the survey.

Survey Gizmo allows a respondent to complete a survey in phases and to return to the questionnaire when they have the time or the information. Even if internet connections were interrupted responses were saved. This only worked if the same computer was used each time. Only one respondent emailed the researcher to say that they could not go back to the survey once they had closed it. This person later emailed to say they had used a different computer and this had worked. Another respondent said that they did not receive the link to the survey after they had saved the survey, but

before submitting it. The researcher was able to contact Survey Gizmo, who sent a link to that respondents submission and the person could continue with the survey. One respondent said that their survey was completed, but the survey did not register as 'completed'. The researcher checked the questions and the survey was complete. Survey Gizmo responded to an email from the researcher and converted the survey to the status 'complete'.

Within the first two weeks the researcher only received 20 responses. As a result the researcher sent a follow-up email. In response to this email, another 30 organisations responded and a few sent apologetic emails explaining that they had either forgotten, or not had the time. After reading Messer (2009), Millar and Dillman (2011) and Van Niekerk (2013) the researcher decided that a personal email would encourage respondents to complete the questionnaire. This meant sending individualised emails with the name of the person being targeted at the beginning of the email, ie, Dear Janet. Despite being time consuming this process resulted in a better response rate. Some respondents asked for more time and this was granted. Finally the researcher sent another email. Eventually 101 respondents had completed the survey. In addition to the 101 respondents, 61 organisations submitted incomplete responses with a few emailing the researcher to say that the survey was too long and they did not have the time. Some of the respondents advised that the survey took around 10 to 15 minutes to complete. One respondent said the survey took closer to half an hour.

The collection of secondary data was more challenging. Organisations finalise their financial year end at different times in the year and/or audit their organisations at different times in the year. Some organisations responded that their 2012 statements had not yet been audited. The researcher received 52% of the respondents' Audited Financial Statements and recorded the data as year 1 (mostly 2012) and year 2 (mostly 2011) and compared year 1 and year 2 results. It was difficult to

standardise, because as one organisation's most recent financial statements would be for financial year end January 2012 and another for December 2012. The financial data that was consistent was inserted into an Excel spreadsheet. This included income and expenditure for the two years and where there were notes to the financial statements breaking down the sources of funding, this was also recorded. Only 20% of respondents provided this information in their AFS.

There were instances where NPOs had completed the survey, but despite being emailed requesting financial statements, did not send them in to the researcher. The researcher consulted as many web sites as possible of NPOs that had completed the survey, to find financial statements. Not all organisations share their financial statements on their web sites. With some it was not clear from the web site menu where the financial statements could be found. The data from these financial statements was transferred to an Excel spreadsheet and analysed. In one instance an organisation said it could not complete the survey because it did not have the authority from its board to send the AFS. The researcher assured the respondent that the organisation did not have to send the AFS and that all information would be kept confidential. This did not change the respondent's decision. It was possible that some of the others who did not send their AFS were not authorised to do so by their board. NPOs' financial statements should be transparent as their source of income was public funding.

The length of the questionnaire was an obvious deterrent to NPOs completing the survey, especially as it was sent in during the last quarter of the year, when budgets are typically being prepared for the following year and funding proposals are being sent to secure following year funding. Despite this the researcher was pleased with a response rate of 21%, especially taking into account the many challenges with online surveys.

As much as surveys are attractive and offer a high level of anonymity it also means that people can anonymously opt out of a survey without having to explain their reasons. Currently there is also a high level of survey fatigue. The researcher was sent a high number of surveys while in the process of conducting this research and became aware of the difficulty for respondents to get to every survey. People will obviously respond to research that is of interest to them. Reminder emails helped to urge and remind people to participate in the study. The personalised reminders were most effective in generating responses.

3.3.6 Data Analysis

The data was collected by Survey Gizmo, and using the tools provided the data was transferred to a Microsoft Excel spreadsheet. Some of the data could not be analysed in its raw format and the researcher had to use the raw data which was inserted into a Microsoft Excel spreadsheet and do further analysis. The data was analysed using a variety of methods including graphs, tables and statistical analysis. Survey Gizmo analysed the data collected and allowed the researcher to see the real-time results of the research and the responses received. The tools provided by Survey Gizmo reduced the time spent on analysing data, although the capturing of data that was not appropriately analysed by Survey Gizmo was time consuming. Since the survey was quantitative in nature much of the data was presented in numerical format.

Secondary data that was collected from audited financial statements requested in the letter at the beginning of the survey, was entered into an Excel spreadsheet. This information was analysed using graphs and tables. This analysis helped with a deeper analysis of some of the financial information.

Research reports do not end with the presentation of results of the data analysis. Instead, the results are followed by a discussion of alternative ways to interpret those results and decide what generalisations can or cannot be made. One outcome that this research hoped to achieve was that of making recommendations to NPOs on how they can address or manage the factors that they face with regard to financial sustainability.

3.4 Limitations of the Study

It was a limitation that the research relied solely on quantitative data and allowed for limited comment from the NPO respondents. Some respondents emailed the researcher to say that they would have liked to have the opportunity to make comments on some of the questions. Staff in NPOs have strong feelings about the sustainability of the sector and the pressure that fundraising places on staff in organisations. These comments were not reflected in the research. It was a limitation that there was limited opportunity for NPOs to share their feelings and observations. However, the questions did to a large extent deal with perceptions.

As reflected in the literature a weakness of online survey research was the poor response rate. It took a lot longer than planned to receive enough completed responses for the research to be considered viable. The researcher overcame this by sending out reminder emails and then personalised emails to encourage respondents to either complete their survey or do the survey. The researcher had to maintain a database of organisations that had completed the survey. This helped to identify which organisations had to be sent reminders. Some NPOs had indicated they would participate in the survey, but did not do so probably due to time constraints. Ultimately the researcher was pleased with the number of responses received.

It is a limitation with on-line surveys that respondents have to have access to the internet, and potential respondents who would have liked to take the survey home to complete in their own time, but did not have home computers, would not have been able to do so. The length of the survey was also a deterrent, as well as some of the technical information requested. The researcher tried to alleviate this by keeping the questions simple and easy to respond to using radio-buttons and check-box responses to questions.

3.5 Ethical Considerations

Most social research intrudes on people's lives, and this research by the mere fact that an email was sent and the targeted population were asked to respond to the email, intruded on people's lives. There was however a high degree of choice in terms of participation. Just responding to the email required that respondents take their time and their energy, and that disrupted the subjects regular activities. (Rubin and Babbie 1997: 60)

Rubin and Babbie (1997: 61) says that research should never injure the people being studied regardless of whether they volunteer for the study. The clearest instance of this norm is revealing information that would embarrass or endanger home life, friendships and jobs (ibid). The subjects of this research did not have to divulge any personal information or information unknown to their friends and associates. Although the research took up some of the subject's time, the results should be of interest to the participants and their field of work. The issue of sustainability is topical, and critical to the survival of most organisations. Even the few that have some reserves are feeling under threat because reserves for most organisations will not take them through more than a few years of poor funding levels.

Participation in this research was voluntary and no one was in any way coerced. The participants were made aware that they were participating in a study for a Masters student in an email sent out

before the questionnaire was sent. Participants were informed that they would have access to the results once the survey was completed. It is hoped that the NPO sector will make use of the study. The researcher identified herself when emailing the participants and indicated that she had a background in the field of fundraising and grantmaking. Participants were informed that the research was for a masters thesis and that articles may be published from the thesis.

In a confidential survey, researchers may be able to identify the respondents, but essentially promises not to do so publicly (Rubin and Babbie 1997: 62). All participants were advised that their information would be treated confidentially, unless it was in the public domain ie. on web sites or in published material. In no way should a reader of the research be able to identify an individual respondent. No names of organisations have been used in the report.

3.6 Reflexivity

Reflexivity refers to the relationship between the researcher and the social world (Townley, 2008). It is a methodological principle whereby the researcher aims to obtain some level of objectivity and guarantee that their own experiences, biases and interpretations don't influence or sway their research results (ibid). Additionally, the process of being reflexive involves being conscious of the cultural, political, social, linguistic and ideological aspects of what one is studying (ibid).

The researcher was previously the director of an NPO, which was also a grantmaker and a fundraising organisation. The researcher spent the majority of her time concerned with the financial sustainability of the organisation. For this reason it was important that the researcher was not able to allow past experiences to influence the results of the research. Being aware of this, the researcher decided to conduct a quantitative study. The researcher analysed largely financial and statistical data, which was harder to misinterpret than theoretical constructs and qualitative responses. Even

so the researcher had entered the research with the perception that organisations were struggling with issues of sustainability. The researcher had to be conscious not to place too much emphasis on that which resonated with her own experience and remained open to new ideas and possibilities that had not yet been considered.

3.7 Conclusion

This chapter discussed the research design and methodology and explained the limitations of the study, the ethics of the study, as well as its limitations. The research was an exploratory study, which lends itself to generating ideas for further research. Using a quantitative paradigm the researcher was able to explore factors affecting the sustainability of NPOs in South Africa. In this chapter the research paradigm was explained in detail followed by an explanation of the survey population and the sample selected for the study.

The researcher also explained the data collection tool (which was an online survey) and the merits and challenges were discussed in detail. Following this the researcher explained how the data was analysed and discussed. Lastly the researcher explained the limitations of the study, the ethics and reflexivity and how these related to the methods used in this study.

The following chapter covers a review of available literature on the topic of financial sustainability. The literature review attempts to contextualise the NPO sector in South Africa and explores in depth different elements of the topic. The literature review was conducted in order to ensure that the researcher had a good understanding of the topic being studied.

CHAPTER 4

LITERATURE REVIEW

4.1 Introduction

The literature review starts with an overview of the non-profit sector in South Africa, covering the history of the sector and more recent developments, which deals with the transformation from a repressive society to a liberal society. In the next section, the literature review looks at the legislation and policies that affect the non-profit sector, covering legislation related to registration and the management of the finances of an NPO, as well as the codes of good governance. The chapter then covers fundraising and resourcing of organisations, including developments in the funding environment and different approaches as well as different types of funders. Finally the chapter addresses fundraising strategies and different methods of fundraising .

4.2 An Overview of the Non-Profit Sector

Salamon et al (1999:8-9) in their study of the non-profit sector globally, found that the non-profit sector was a major economic force valued at being an \$1.1 trillion industry, accounting for 19 million full-time equivalent paid workers, contributing 5 % of non-agricultural employment. The NPO sector would be the eighth largest economy in the world if all the figures of all the NPOs in the world were put together, employing more employees than the combined employment of people in the largest private businesses in the world (ibid). In this study it was found that 28 % of the people in the countries surveyed gave of voluntary time. This study also highlighted the fact that welfare services dominated this sector (ibid).

4.2.1 International Trends in the Funding of the Non Profit Sector

Over the past several decades NPOs have become major players in the field of international development. Since the mid 1970s the NPO sector in both developed and developing countries experienced exponential growth. It was estimated that 15 % of all development aid was channelled

through NPOs (Duke University Libraries, 2013). The strengths of NPOs included: strong grassroots links; field-based expertise, innovation and adaptability; process orientation approaches using participatory methodologies and tools; commitment to long term involvement; and an emphasis on sustainability and cost effectiveness (Duke University Libraries, 2013).

According to the Global Humanitarian Assistance Report (Global Policy Forum, 2011), institutional donor aid was at its highest-ever level in 2010 at US\$ 16.7 billion, but so were aid costs. The USA, Canada and Japan were largely responsible for the boost in aid (ibid). In 2009 more than 65% of humanitarian assistance went to conflict-affected and post-conflict states and nearly 70% was spent in long term affected countries (ibid). Africa received 46% of humanitarian responses and Asia 24%. NGOs received 17% of institutional humanitarian aid, but private funding was estimated to be around US\$ 4 billion. In 2010 the UN called for US\$ 11.2 billion, but only received \$7.1 billion. This means that there was a higher proportion of unmet needs (Global Policy Forum, 2011).

Aid to Africa intensified in the late 1950s as African countries began to win their independence (Glennie 2008:10-11). The Africa Development Bank (ADB) was formed in 1964 and has played a supporting role to the World Bank and the International Monetary Fund (IMF) in this region. The Organisation for Economic Cooperation and Development (OECD) set up its Development Assistance Committee (DAC), whose members comprise of the twenty richest countries. The OECD was responsible for 90% of global-aid-flows to Africa (ibid). With a slow down in economic growth in Africa, after the 1970s, the region needed help. Steep rises in the price of oil coincided with collapsing prices for Africa's exports (ibid). It was perceived that instead of contributing to growth, aid in Africa resulted in increased dependency. The aggressive use of aid conditions to enforce the infamous Washington Consensus increased. The Washington Consensus comprised of policies in such areas as macroeconomic stabilisation, economic opening with regard to trade and

investment, and the expansion of market forces within the domestic economy. The enforcement of aid conditions was coordinated by the World Bank and IMF (ibid). Official Development Assistance (ODA) to Africa peaked in 1990 and declined after the 1990s, because of scepticism of the ability of aid to reduce poverty (ibid). After the new millennium aid increased with a renewed optimism about what aid could achieve. The United Nations (UN) Millennium Development Goals (MDG) is a reflection of a renewed belief in aid as a vehicle for development in Africa (ibid).

4.2.2 History of the NPO Sector in South Africa

According to Swilling and Russell (2002:67) the South African non-profit sector dates back over centuries. The complexity and diversity of the current NPO sector is a reflection of this evolution. Present day South African NPOs include, everything from the racially exclusive cultural and welfare organisations central to white society; through to religious organisations; and even to the networks of community organisations which are reflective of African society (ibid).

High poverty levels, a key development problem in post-apartheid South Africa have profoundly influenced the development of NPOs. According to the Stats SA study conducted during the period September 2008 and August 2009 approximately 26,3% of the population was living below the food poverty line of R305 per day (Lehlohla, 2009:5). During the same period 38,9% and 52,3% were living below the lower-bound poverty line of R416 and the upper bound poverty line of R577 respectively (ibid). Using the international poverty lines the proportion of the population living below \$ 1.25 a day was estimated to be 10,7%, while the proportion living below \$2.50 per day was estimated to be 36,4% (ibid). According to Lehlohla (2009:13) 23,8% of people living below the upper-bound poverty line in 2008/2009 were in KwaZulu-Natal, 17% in the Eastern Cape, 15,4% in Limpopo and 11,9% in Gauteng.

4.2.3 The Development of the Non-Profit Sector in South Africa

According to Habib (2004:229), the modern day non-profit sector in South Africa had two distinct phases of development. The first was in the early 1980s, when there was a growth in associational life due to the repressive nature of apartheid and the emergence of black leadership, who had been prevented from active public life. The second phase was after 1994, when the people involved changed because of the new opportunities presented by the phase of democratisation (ibid).

After 1994 changes took place that especially affected the formal NPOs. The first involved a change in the legislative environment with the passing of laws, such as the Non-Profit Organisations Act (No 71 of 1997) and the establishment of an NPO Directorate (ibid:232-233). The second was a change in the fiscal environment. This was characterised by the repealing of The Fundraising Act (No 107 of 1978) and the reform of the tax legislation, which allowed for tax exemption for NPOs. The intention was to promote a philanthropic culture in the country (ibid).

The new government post 1994 could not maintain its social contract with the social movements. Terreblanche (2008:113-114) argues that new rules had to be established to regulate state society relations. Firstly, civil society was demobilised and deprived of the highly political role it played during the struggle period. Secondly, civil society was co-opted as social partners in the delivery of services and the consolidation of state power (ibid).

According to Habib (2004:236) the implementation of the government's neo-liberal policies has meant disaster for the majority of South Africa's poor. Civil society has responded to this by reconstituting itself in two distinct ways. The first was the growth of informal survivalist community based organisations, networks and associations (ibid). The second was the emergence of social movements like TAC, the Soweto Electricity Crisis Committee and the Concerned Citizens

Group (ibid). Habib (2004) argues that organisations and formations that straddle both the adversarial and the collegial relationship with government is beneficial for democracy. He says that this relationship ensures that the state does not take its citizens for granted (ibid). Terreblanche (2008:101), argues that an integral cause of disputes between the state and NPOs, involved the view that in the democratic system, the state's will ought to hold.

4.2.4 Size and Scope of the NPO Sector in South Africa

Swilling and Russell (2002:15-18) maintained that the non-profit sector was a major force in the economy of South Africa with a total expenditure of R9,3 billion in 1998, representing 1,2% of the gross domestic product. At the time the sector employed the equivalent of 645,316 full time workers (made up of full-time, part-time and volunteer workers), which exceeded the number of employees in many major economic sectors, making it a major employer in the country (ibid). More than half was paid for work and just less than half voluntary.

During the same year 1,5 million volunteers actively contributed their time and energy to South African NPOs (ibid). It was estimated that the value of this contribution was R5,1 billion. The social services sector represented the highest percentage of NPOs at 23% out of a total of 98,920 in 11 different sectors (ibid). In terms of financial value it was estimated that the NPO sector had an income of R18 billion in 1998, with 42% being government's contribution. This includes a value for the volunteer contribution (ibid).

According to Swilling and Russell (2002:20) most NPOs (around 53%) were less formalised community based NPOs, which were not registered and were working at a community level (ibid). It was believed that this group made an important contribution to poverty alleviation because of its ability to respond to problems at a community level far more quickly than formal structures (ibid).

Swilling and Russel (2002:35) maintained that the sectors that received most of the government's funding were well-developed, formal NPOs. They argued that these organisations were located in more established, urban working class and middle class communities rather than in poorer communities. The Swilling study found that 34% of the revenue generated by NPOs came from self-generated income, with the social services NPOs being the highest generator of fees for services.

4.2.6 The Current State of the NPO Sector in South Africa.

According to Jay Naidoo, in an interview conducted by August (2010), the ANC held the view that after it was elected in 1994, in its role as the new government, it was going to deliver all services. As a result the state deliberately allowed the NPO sector to weaken. Jay Naidoo acknowledged that he was part of this mistake and that the state should have found a way to keep the vibrancy and dynamism of the non-profit sector alive. He recognised that NPOs are about the right to express views and that this is important in a democracy (ibid).

Heywood (2010:5) argues that under former President Mbeki, ANC Members of Parliament (MP) became increasingly detached from accountability to anything or anyone other than their own party. According to Heywood (2010) the belief developed that the ANC was here to complete the national democratic revolution and lead Africa into its renaissance (ibid). Heywood refers to Former President Mbeki's 1997 address to the Forum of Black Journalists where he set out his views on civil society. Former President Mbeki acknowledged that "...a well organised, integrated and vibrant civil society is one of the pre-conditions for the success of the struggle for the broadening and deepening of political, social and economic democratisation of our country" (ibid:6). Former President Mbeki however warned that "...it is wrong to see the chief virtue of democratic organs of civil society as an organised counter-weight to the democratic state" (ibid). Then showing his deep-seated mistrust he cautioned that:

“...we should appreciate the fact that if organs of civil society can be utilised to oppose Apartheid and colonial rule, then by the same token, wittingly or unwittingly, be manipulated or positioned in such a way that the ultimate effect of their operation serves to frustrate the people's march toward the total emancipation of our society” (ibid).

Former President Mbeki then called on civil society to “...define their place and role in relation to the task of emancipating our people”. Furthermore Heywood (2010: 7) critiques this approach when he says that, “...it does not allow much room for autonomous civil society, except as a vehicle to deliver messages and services for the beneficent party/state”.

According to Van der Westhuizen (2013) elements of this attitude can be traced back to former President Nelson Mandela's address at the party's conference in Mafikeng 1997. Mandela declared that:

...many of our non-government organisations are not in fact NGOs, both because they have no popular base and the actuality that they rely on domestic and foreign governments, rather than the people, for their material sustenance...We will have to consider the reliability of such NGOs to achieve people-driven social transformation (ibid).

NPOs could argue that they should be just as suspicious of a government which criticises it for being puppets of foreign funders, when the government itself itself receives millions from foreign governments. According to Van der Westhuizen (2013) the South African government received 980 million Euros during the period 2007-2013 from the European Union. The fact that the government accepted the money could be interpreted to mean that the ANC led government was pushing a foreign agenda in these sectors. The attitude reflected by former President Mandela and Former President Mbeki implies that principles of government accountability are imported and were the exclusive property of Northern Governments (ibid).

Jeremy Cronin (current Deputy Minister of Public Works), referred to in Van der Westhuizen (2013), objected to what he called a lack of civil society accountability. Cronin argues that civil

society “...tends not to be transparent about the election of their leaders, origins of funds and forms of decision making”. This was untrue as civil society was far more transparent about its leadership and origins of funds than political parties. Van der Westhuizen (2013) argues that governance of NPOs was transparent. More than 85,000 organisations are voluntarily registered according to the Non Profit Organisations Act (No 71 of 1997). Registered NPOs account for their funding, report annually on their operations, and have a constitution, which defines the election of leadership (Van der Westhuizen 2013).

Under President Jacob Zuma's rule there have been increasing attacks on South Africa's democracy with a rise of populist attacks on the rule of law, judiciary, the media and the Constitution (Hivos 2012). Two Bills have been introduced into Parliament: the Protection of State Information Bill and the Media Tribunal Bill. These Bills together represent a monumental commitment to the repudiation of every principle of good governance (Hivos 2012:1).

Friedman & Mckaiser (2012:24-27) states that since 2008 civil society organisations detected a change where before rights seemed fairly entrenched, they are now under threat. The perception exists that the current political leadership has enabled more conservative views to be expressed (ibid). According to Friedman & Mckaiser (2012) oversight bodies such as the Human Rights Commission were pressurised with threatened budget cuts, especially when they tried to hold ANC politicians to account. Civil society leaders say that when government invites participation, it was to give the illusion of consultation, without the contributions being reflected in the final policies or in their implementation (ibid).

According to a publication, “Critical Perspectives on the Sustainability of South African Civil Society” (2012), South African civil society was facing a funding crisis. This was caused by

funding, leadership and identity changes, and the apparent unwillingness of government to meet its obligations to the sector. It was argued that government was remiss about its obligations regarding the legislated and budgeted resource flows to NPOs (ibid). Many important NPOs such as the Black Sash and Idasa have found that their sustainability was seriously compromised, a situation that was exacerbated by the prevailing economic recession (Nicholson, 2012).

In the “Non Profit Job Losses and Service Cuts Report” (2012:5) organisations experienced significant cuts in funding from provincial government (28%) and national government (13.7%). Gebresselasie-Hagos & Smit (2013) reported that 43% of organisations received funding from provincial government while 13% received funding from national government. Kilbey however reported that the largest percentage of funding (59%) came from government sources especially from provincial departments of Social Development.

4.3 Financial Sustainability of the NPO Sector in South Africa

Financial sustainability continues to be a big concern to NPO leaders, current and potential funders, and the communities that NPOs serve. Sustainability, according to (Sontag-Padilla & Stapelfoote, 2012:vi-vii) involves managing financial viability in an evolving funding landscape; competing with other NPOs; establishing collaborative partnerships; demonstrating value and accountability to funders and supporters; and maximising the contribution of leadership within the community. For most NPOs, balancing financial sustainability with the pursuit of the organisation’s mission and maintenance of consistent and quality programming over time was a core challenge (ibid).

Sontag et al (2012:vi) argues that evaluating activities and operations, based on profitability and mission-impact, may allow NPOs to develop strategic plans to manage short-term financial challenges, while maintaining long term missions and goals. Sontag (2012:vi-vii) lists the following

as key challenges of financial sustainability for NPOs: reliance on external funding sources and streams; creating a non-profit brand, management of partnerships; maximising impact with limited resources; demonstrating value and accountability to funders; communicating the results of regular evaluation; and promoting community engagement and leadership while maintaining integrity (ibid).

4.3.1 The Defensive Ratio

The defensive ratio is a tool used to ascertain an organisation's financial health. This tool indicates the length of time in terms of days that an organisation would be able to pay for its operations based on liquid assets, without needing additional revenues (Non Profit Answer Guide, 2014). The ratio is calculated by dividing current assets less current liabilities by quotient of the past year's annual expenditure over 365. This only represents a moment in time and is not a true reflection of organisational financial health (ibid).

Gebreselassie-Hagos & Smit (2013:114) found that 61% of organisations would have to close if regular funding ceased, as they had no reserves to cover future operations. Only 18% would be able to survive for one to six months should regular income cease. This was similar to the finding of Kilbey (2010), that the majority of social service NPOs would not be able to survive more than three months from the date of their financial year end if they received no additional funding. Smit (2005: 353) found that 68% of NPOs answered “no” when asked whether the organisation's future was secure. Smit (2005: 353) also found that 89% of organisations felt that their further growth was constrained by a lack of funds.

4.3.2 The Challenge of Demand Versus Available Resources

Gebresselassie-Hagos & Smit (2013:111) found that the effect of the economic recession varied,

with 51% of NPOs having experienced an increase in funding, 28% a decrease and 11% no change. The organisations that experienced a decrease had found it to be substantial (32%). This contradicted other findings. Alliance Magazine (2009) found that 50 % of Non Profit organisations globally reported a decline in income over the previous year. A survey of the United States 400 most successful fundraising organisations, conducted by the Chronicle of Philanthropy, suggested that giving would drop by an average of 9 % in that year (ibid).

In an economic recession, another challenge was increased demand for services. People who have not previously needed the services of NPOs suddenly find themselves in need. Gebresselassie-Hagos & Smit (2013:118) reported that 89% of organisations found that demand for their programmes had increased during the economic recession. Another challenge for sustainability of NPOs, was managing the balance between available financial resources and demand for services. Smit (2005:353), whose study was conducted prior to the economic recession, found that 68% of NPOs said their financial situation was not secure. Smit (2005) also found that 89% of organisations could not expand their services due to a lack of funds. This was despite the need for more services and expansion.

4.4 Regulation and Legislation Affecting the Existence and Funding of NPOs in South Africa

4.4.1 Fundraising Legislation: History and Current

Fundraising in South Africa became widespread during the Second World War and as a result the first legislation regulating fundraising came into being in the form of the Welfare Organisations Act (No 40 of 1947) (Cuthbert 1992). The purpose of the Act was to establish some controls over collections that were being made. The Act was followed decades later with the National Welfare Act (No 100 of 1978), which gave rise to national and regional Welfare Boards (ibid). The Fundraising Act (No 107 of 1978), an important piece of legislation, was underpinned by the principle that all

bodies collecting money from the public were accountable to the public and were thus regulated to ensure accountability (ibid). Under this legislation organisations had to apply for fundraising numbers, individuals were required to get written permission to raise funds for organisations and organisations were required to formalise contracts with fundraisers, which specified how they were to be paid.

According to the online page www.sahistory.org.za (undated) the Disclosure of Foreign Funding Act (No 26 of 1989) was introduced to outlaw foreign funding of political activity. This Act although passed was not long lived in terms of its implementation. In September of 1989 the South African Ambassador was summonsed to the Commission in Brussels to be informed that despite this legislation they would continue to support Kagiso Trust, which had just been declared a reporting organisation (online page www.europa.eu, 1989). The Commission informed the South African Government that any utilisation of the Act that might interfere with the projects and programmes of Kagiso Trust and the European Union, would risk creating serious complications in relations between South Africa and the European Community (ibid).

The current legal framework according to International Center for Not-for-Profit Law (ICNL, 2012) does not present significant obstacles for NPOs operating in South Africa and was generally enabling and supportive of CSO activity. In 1997 the Nonprofit Organisations Act (No 71 of 1997) was promulgated repealing the Fundraising Act (No 107 of 1978). The NPO Act (No 71 of 1997) chapter 2 paragraph 3, describes the responsibility of the State to non-profit organisations as follows, “Within the limits prescribed by law, every organ of state must determine and coordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of NPOs to perform their functions” (ibid). The challenge however was in the implementation of the law, as there appears to be a lack of political will to act on this responsibility.

Voluntary organisations are the most common form of civil society organisation in South Africa as they are a creation of common law and are not dependent on authorisation by a public office (ICNL 2012). There are no legal barriers to their establishment or operational activity. According to a report from the National NPO Database published by the Department of Social Development at the end of March 2012, the number of registered organisations was 85,248 with an increase in registration of about 14% annually (ibid).

In 2013 NGO Pulse quoted Ann Brown (a consultant to the sector) who said that, "36,513 organisations had been de-registered, 35,217 were on a warning with only 29,019 found in good standing". This was out of the approximately 85,000 registered NPOs (NGO Pulse 2013). The challenge for NPOs that were deregistered was that they would not be able to raise funds from government and most other donors (ibid). This de-registration appeared punitive in that the previous year (2011) only 468 organisations were de-registered (Wyngaard, 2013). There was a public outcry and all organisations were reinstated with a six month grace period to become compliant.

It seems contradictory that just prior to the de-registration of NPOs (August, 2012) the National Department of Social Development hosted the South African NPO Summit, which was aimed at creating a platform for effective partnership between the government and the NPO sector. The Department circulated a document after the conference entitled Policy Framework on Nonprofit Organisations Law, which captured the principles for a review of the legislative framework affecting NPOs (Policy Framework on Non-profit Organisations Law, 2012:6). The National Development Plan states that: "In social welfare services, the state has adopted a partnership model of service provision and relies mainly on non-governmental welfare organisations to provide social services" (Wyngaard, 2013:2).

4.4.2 The Regulation of Fundraising

Since the demise of the Fundraising Act (No 107 of 1978), there is no legislation that regulates the activity of fundraising. Legislation is more concerned with the registration and governance of NPOs. There is also no body regulating fundraising in South Africa. The South African Institute of Fundraising is currently the only body representing the fundraising profession in South Africa. It was conceptualised in 1985 and formalised in 1987 (South African Institute of Fundraising 2012). The organisation says that it aims to promote high standards of ethics, practice and public service and that it encourages the growth and professionalism of individual fundraisers and social entrepreneurs. The benefit to members includes access to best practice guidelines, newsletters, seminars, forums, workshops and networking events (ibid).

4.4.3 Policy on Financial Awards to Service Providers: Department of Social Development

The Policy on Financial Awards is aimed at guiding the country's response to the financing of service providers in the social development sector. It aims to facilitate transformation and the redirection of services and resources. The policy also means to ensure that effective and efficient services are directed to the poor and vulnerable sectors of society (Policy on Financial Awards to Service Providers, 2011:1).

The Policy on Financial Award to Service Providers should facilitate the achievement of the department's priorities through the promotion of a developmental service to poor and vulnerable groups and those with special needs such as children, youth, older persons, persons with disabilities, women, victims of violence and abuse, persons affected by substance abuse and those infected and affected by HIV and AIDS (ibid:2). The policy outlines, eligibility and requirements for funding; contracts, monitoring and evaluation; reduction, suspension and termination of funding; disputes, communication and consultation; and general administration (ibid: 19-35).

4.4.4 Income Tax Act (No 58 of 1962)

Internationally, NPOs have been granted some degree of preferential tax treatment, including donor incentives, although the eligibility criteria and available benefits vary from country to country. The Taxation Laws Amendment Act (No 30 of 2000) came into operation in July 2001 and introduced the concepts of “a public benefit organisation” and “a public benefit activity” (SARS, 2007:3-4). A special dedicated office, the Tax Exemption Unit was established to ensure specialised and uniform treatment and to assist in the prevention of malpractice or abuse. (ibid)

According to Wyngaard (2011:2) the main benefits available to NPOs that are registered as PBOs are full exemption from paying income tax if the NPO carries on no or limited trading activities; partial exemption from income tax in situations where its trading income exceeds limitations; exemption from estate duty, transfer duty, capital gains tax, donations tax, the skills development levy and dividends tax (ibid) . The benefit to donors is they can make deductions from their taxable income (ibid).

4.4.5 The Companies Act (No 71 of 2008)

In April 2009, the Companies Act (No 71 of 2008) was promulgated and replaced the 35 year old Companies Act (No 61 of 1973) (Hendricks, 2009:4). The passing of the Act was a lengthy and rigorous process that involved widespread public participation (ibid). The Act, in the way that it relates to not-for-profit companies is also relevant to NPOs that are established under Section 21 of the old Companies Act. The purpose of the new Companies Act is, among others, to “...provide for the formation, operation and accountability of non-profit companies in a manner designed to promote, support and enhance the capacity of such companies to perform their function...” (ibid).

The new Act has clarified the structure of NPOs which is more relevant to the sector. NPOs registered under this Act were no longer required to have members and can choose whether to have

membership or a board of directors. The Act also identified who could be directors, what would be expected of them and what their liabilities would be (Hendricks, 2009:4-8). The registration process is complex and a Section 21 company must comply with a number of pre-requisites. All profits and income of a Section 21 Company must be applied to promoting its main objective. The Act prohibits the payment of dividends to its members (ibid).

4.4.6 The Property Control Act (No 57 of 1998)

Trusts are formed when ownership of a property is transferred to another party for the benefit of certain persons or the achievement of a particular goal. The people who administer a trust are called trustees. Trusts may be established for private benefit or public purpose and purpose of the trust is set out in the organisations trust deed (Republic of South Africa, 1988: 1-2).

4.4.7 Public Finance Management Act (No 1 of 1999)

The PFMA was first implemented in April 2000 and until the end of 2010 was subjected to a series of amendments, reflecting important policy and legislative changes (Wildeman et al, 2012:6-7). The PFMA repealed the then Exchequer Act (No 66 of 1975) that previously governed public finance management in South Africa (ibid). The key objectives of the Act are to modernise the system of financial management in the public sector; enable public sector managers to manage and be held accountable; ensure timely provision of quality information; and eliminate waste and corruption in the use of public assets (National Treasury, 2014).

According to Wildeman (2012:31-35) one of the successes of the PFMA is that it generated more budget information financial and non-financial, which can be made available to parliamentarians and to the general public. As a result, communities and citizens demanded to know more about how government resources were likely to affect their lives. There is thus greater accountability.

Even those who are critical about the overall contribution of the PFMA to solving service delivery crises, admit the information environment under the Act has been changed irrevocably for the better (ibid).

4.4.8 The Financial Action Task Force Report

The Financial Action Task Force and the Eastern Southern Africa Anti-Money Laundering Group recently published a report entitled: Mutual Evaluation Report- Anti Money Laundering and Combating the Financing of Terrorism (ICNL, 2013). The report concluded that South Africa had not assessed the potential risks terrorist financing posed within the non-profit sector. The report recommended that NPOs should be compelled to register under the Nonprofit Organisations Act and the Directorate for Nonprofit Organisations should be given the power to sanction office-bearers, impose fines and freeze accounts of NPOs that are in violation of oversight measures (ibid). It is not clear whether the South African Government will support this initiative (ibid).

4.4.9 Broad-based Black Economic Empowerment (BEE) Codes and the NPO sector

South Africa's BEE policy is a growth strategy to address inequality and a moral initiative to redress the wrongs of the past.(<http://www.southafrica.info>, 2013). High levels of inequality between the rich and the poor continue to exist in South Africa. This could have a profound effect on political stability. All state bodies, public companies and NPOs are bound to the BEE code, and the government is required to apply them when making decisions on procurement, licensing and concessions, public-private partnerships and the sale of state-owned assets or businesses. Private companies must apply the codes if they wish to do business with government and are encouraged to apply the codes in their interactions with one another (ibid) .

Critics of BEE such as Moeletsi Mbeki, a brother of the former President, Thabo Mbeki (who was most instrumental in enacting the legislation to formalise BEE) argues that, "...BEE strikes the fatal

blow against the emergence of black entrepreneurship by creating a small upper class of unproductive but wealthy black crony capitalists made up of ANC politicians” (Mbeki, 2009:61). Other critics like Hamann (2008:25) have noted, with concern, the lack of progress BEE has made in rectifying the legacies of apartheid. The challenges post apartheid remain and have become even more acute in terms of poverty, unemployment, housing and basic services.

The benefit to the NPO sector is that companies which support the sector can earn socio-economic-development points (SED) for supporting NPOs whose beneficiaries are 75% black. Businesses which contribute 1% of Net Profit After Tax (NPAT) to such NPOs can qualify for full 5 SED points (Bick and Mazibuko, 2013:50). This is only after an independent audit of beneficiaries conducted by a verification agency.

In October 2012, Trade and Industry Minister Rob Davies presented proposed amendments to the BEE codes of good practice (Janisch, 2012). The intention of the amendments is to fast track BEE, which Minister Rob Davies feels has not happened in the workplace (ibid). Should these codes be gazetted, they will have a detrimental effect on the NPO sector for their welfare. The proposed code referred to as the socio-economic development (SED) code will exclude organisations that serve whites and foreign nationals from benefiting under an SED donation. Currently, it is estimated that there are 450,000 destitute white people and an unknown number of foreign nationals (ibid) .

In addition, the proposed code states that contributions under SED must be for the purpose of "facilitating income-generating activities" (ibid). This would eliminate more than 90% of NPOs or community based organisations operating in South Africa. Crotty (2012) reports that the Charities Aid Foundation of Southern Africa (CAF) said that much of the critical welfare and social development functions provided by NPOs were done in partnership with the government. Most

NPOs are involved with developmental areas such as health, home-based care, education, childcare, child-headed households, care for the aged and disability (ibid).

The proposed new code would also raise the micro-enterprise turnover from R5m to R10m, which meant that companies turning over less than R10m would no longer be required to make contributions to NPOs in order to score BEE points. This could drastically decrease the rand value contributions made by the corporate sector to NPOs (Janisch, 2012). Crotty (2012) reported that in the past year the corporate sector provided about R7 billion for NPOs.

In December 2012, the Department of Trade and Industry withdrew the proposed amendments relating to SED. Gastrow (2012) said that she was thankful that government listened to civil society as the proposed codes would have a devastating impact on the NPO sector, which provides 70% of all welfare services in South Africa.

4.4.10 The King Code of Governance Principles

The King Code of Governance Principles and the King Report on Governance for South Africa (King III) were published on 1 September 2009 by the King Committee on Corporate Governance (Wyngaard, 2010:2). This Committee was established in 1993 by the Institute of Directors in Southern Africa (IoDSA). The first King Report on Corporate Governance (King II) was published during March 2002. King I and II have made a significant contribution towards corporate governance in South Africa. Neither of these dealt specifically with the NPO sector. In contrast King III decreed that it now "...applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors" (ibid).

Gastrow (2012) says “...in the light of headlines about closures and retrenchment in the NPO sector, a key issue that emerges is good governance”. According to Gastrow (2012) donors have real concerns about how organisations deal with governance. Donor confidence will be built if NPOs ensure that they have effective governing boards that meet their fiduciary responsibilities (ibid).

Gastrow (2012) made the point that, “...although governance is important, King III is unsuitable for the NPO sector. Social change is not a product, rather it is slow, messy and unpredictable and it is based on values”. Gastrow (2012) argues that NPOs often come into existence because of “...market failure and because government and business has not taken care of the poor and vulnerable”. Gastrow pointed out that there are two distinct differences between NPOs and corporates. The first being that directors and trustees of NPOs give voluntarily of their time where in the corporate sector directors are highly remunerated. Secondly, boards of companies are accountable to the company and its shareholders, where the NPO sector is accountable to the community and funders and act for the good of the public (ibid).

Gastrow (2012) makes the point that NPOs could lose valuable volunteer board members because of the demands that King III makes on the NPO sector. This would weaken the sector because volunteer boards are critical to the operation and registration of NPOs. Without a board and registration, NPOs would not qualify for funding.

The King Committee convened a special sub-committee tasked with researching and making recommendations on how the principles and practice recommendations contained in King III will apply in non-profit organisations (We Can Change Our World 2012). King III sent out an invitation to the NPO sector in October 2012, which requested written comments to the draft practice notes

(ibid). This was the first time the King Committee meaningfully engaged with the NPO sector, in contradiction with the committees stakeholder-inclusive philosophy. While the NPO sector should be required to adhere to high standards of governance, these should be relevant to the sector. (ibid).

4.4.11 The Independent Code of Governance for Non-Profit Organisations in South Africa

In July 2012, the Independent Code of Governance for the Non-profit Organisations in South Africa was launched. The Code provides a statement of values and principles of good governance for non-profit organisations, covering eight basic values, six leadership areas and five legal and fiscal implementation areas (Inyathelo, 2012).

Adherence to the Code is voluntary, but organisations that wish to make a commitment to abide by the Code can sign a form on the back of the Code (ibid). The Code can be applied to the entire sector regardless of the size, capacity and purpose. The Code doesn't have any official or legal status, but is widely supported by the donor community and the sector itself. Signing the Code represents a unique opportunity for the NPO community to publicly recommit themselves to certain core values and principles, including fidelity to purpose, democracy, transparency and accountability (ibid) .

4.5 Fundraising for Non Profits in South Africa

4.5.1 The Development of Funding in South Africa

From Apartheid to Democracy

According to Kabane (2010) the period before 1984 was a robust period for civil society in South Africa, especially for anti-apartheid or social change organisations that received support and sympathy from external sources. Foreign donors saw these organisations as legitimate vehicles for channelling funds. As a result NPOs fighting apartheid thrived, despite the constrained legal and

policy environment. Kabane (2010) pointed out that the hostile environment resulted in weak controls of money because keeping records could lead to organisations being exposed to the attentions of the state. Even the European Union had an easy approach to working with these organisations in order to accommodate local demands. This relationship that was characterised by high levels of trust, were unique to South Africa (ibid).

Foreign funds continued to flow to South Africa between 1990 and 1994 with the purpose of strengthening the capacity of political parties involved in the negotiation process (Kihato, 2009:9). It is believed that funding peaked during this period although there is little evidence to support this (ibid). Funding was also aimed at promoting a smooth transition to democracy. NPOs had become complacent about sustainability and this resulted in the wide scale collapse of NPOs in the 1990s, after funding cutbacks and an increase in donor conditions and controls (ibid:10). Problems such as the mismanagement of funds, poor or non-existent financial record keeping, a lack of strategic planning and clear and cohesive goals, and the migration of skilled leaders to government also contributed to the collapse of many NPOs.

Kihato (2001:10) points out that foreign donors shifted their focus away from NPOs preferring to formulate bilateral agreements with the new government following the 1994 elections. Donors focused on providing the government with 'technical assistance'. After 1997 Overseas Development Aid (ODA) declined as a result of growing confidence in the government, the reduced threat of political violence and a demonstrated ability to articulate and implement its policies (ibid:12). Salole (2005) however said that he believed funding would continue flowing to South African NPOs because of their strategic importance to the region. This was prior to the economic crisis of 2008/2009. He also said that it would be NPOs with a previous history of success and good governance that would be most likely to be noticed by the donor community (ibid).

Later, Rawoot (2009) reported that Jimmy Gotyana (the President of the South African NPO Coalition) said that since the financial crisis, between 3 and 5 NPOs that rely on foreign funding had to close down each month. Barnard is quoted in Rawoot (2009) as saying that the NPOs, which are the hardest hit are the smaller ones. Many NPOs had to reduce their operations. According to Kilbey (2010:104) over 80% of respondents in his survey of welfare organisations were constantly battling to survive and 73.7% agree that their organisations were in desperate need of funding. This study also highlighted that limited organisations were able to allocate enough resources to the activity of fundraising. Of the respondents in the Kilbey study, 86.7% agreed or strongly agreed that their organisations staff did not have enough time to spend on fundraising (ibid).

Donors Setting the Agenda

Another challenge that is highlighted in FPA (2012:6) is that there is an increasing trend towards donors setting the agenda. This varies from donors designing programmes and finding organisations to fund, to donors actually implementing programmes and possibly using NPOs as service providers. There were even hints that these shifts have been linked with poaching of NPO staff by donors.

Kihato (2001:16-17) says that ODA gradually rose after 1994 but that it became more partnership-oriented and ODA sought organisations that partnered with government. The suggested reason being that ODA realised that the South African government had capacity limitations. Kihato argues that this funding is biased towards urban NPOs, which are easier to locate and communicate with than rural NPOs. NPOs which are more able to write proposals and prepare budgets and strategic plans, are more likely to attract donor funding and survive. Also, NPOs which positioned themselves as regional experts were more likely to attract funding because of the opportunity for learning and engaging around common issues.

The Development of Technocratic Approaches

According to FPA (2012:8) there exists an obsession with impact and indicators driven by international aid agencies. The reasons given include the need to be accountable to other governments. This obsession has infiltrated into foundations and the corporate sector influenced by financial accounting. It is argued that the focus on quantitative indicators contradicts with the long term nature of social change (ibid).

Logical frameworks are technical planning and reporting formats used by donors to assist with the monitoring of progress made by NPOs (FPA, 12:9). Funding, as a result, becomes highly technical and less accessible to community based organisations. Organisations also complain about having to report in the smallest detail, to the extent that the time spent on reporting outweighed the benefit of the money. The staff employed by funders are as a result technocrats. This also means that organisations have to employ high level and expensive personnel to be able to deal with technocratic staff employed by funders (ibid).

Soal & Taylor (2003) highlights the difficulty of measuring social processes such as empowerment, through numbers, percentages, graphs and tables. Soal (2001) acknowledges the importance of measurement in terms of both understanding, and improving practice and accountability, but questions how it is understood and implemented. Soal suggests that ultimately measuring social development change involves measuring shifts in relationships. Gastrow (2008) says that measurement has become a new industry and is over-complicated. Gastrow argues that where it is done by organisations for its own learning, its a good thing, but where it is done to satisfy the agenda of funders, it should be challenged in terms of its purpose (ibid).

The Response of Government to Ensuring Financial Sustainability for NPOs.

The government realised in the 1990s that there was a funding crisis and started a debate on how or whether government should intervene. (Kihato, 2001:17). At the time, donors such as the European Union opted to channel funds through the RDP, which was meant to allocate the funds to civil society. There were proposals to centralise all funding at the RDP office, which created apprehension among NPOs because it was seen as an attempt to control the NPO sector. Fears were also expressed that the disbursement of funds would be biased towards organisations the government approve of (ibid). The NPO sector strongly expressed a negative view of the suggestion that there be a body to co-ordinate government's relationship with NPOs. Government officials however, voiced the opinion that the sector had a valuable role to play but, only in strengthening the governments capacity to deliver. Kihato (2001:18) says, "...it (government) saw the NPO sector performing a technical, apolitical role". The sector has in fact been criticised for its watchdog role and for being too critical of the state. Partly this criticism also originated from the fact that the state also funds civil society (ibid).

As a result of these debates the Transitional National Development Trust (TNDT) was established. The work which was done by the TNDT, led to the establishment of the NDA in terms of the National Development Agency Act (No 108 of 1998). The preamble to the Act states that the aim is "...promoting an appropriate and sustainable partnership between Government and civil society organisations to eradicate poverty..."(NDA Act No 108 of 1998). The primary objective of the Act is to achieve this by "...granting funds to civil society organisations" (ibid). Smit (2005: 57) reports that despite this being the core objective of the NDA, 91% of organisations were not happy with the way in which the NDA distributes funds. In 2010 Kilbey (2010:107) it is indicated that 34 % disagree and 9% strongly disagree that the NDA is managed efficiently.

Benjamin-Liebert & Liebert (2011) refers to the NDA's lack of accountability and transparency. The organisation has been accused of corruption and fraud several times, with senior staff stealing millions of rands. The board and senior management have so far not been held to account. The NDA also lacked transparency in terms of its beneficiaries, as at the time of Benjamin-Liebert & Lieberts' research, no beneficiary list was available.

The National Lotteries Distribution Trust Fund (NLDTF) was set up to ensure that money raised through the National Lotteries Board (NLB) reached poor communities. According to the legislation, the money must be distributed to socially worthy projects in four categories: 1) reconstruction and development; 2) charities; 3) sport and recreation; and 4) arts, culture and national heritage. The Reconstruction and Development Programme (RDP) no longer exists and so no allocations have been made in this category (Benjamin-Liebert & Liebert, 2011:31).

According to Benjamin-Liebert & Liebert (2011:121) the NLB was riddled with ineffective and confusing lines of communication and accountability between the NLB, the Minister and the three Distribution Agencies that allocate the funds. At one stage the NLB had distributed less than 50 % of the funds available (ibid). This is critical to a sector that is fraught with funding challenges . The fund is dependent on income from the sale of lottery tickets and a change in available funds is subject to an increase or decrease in sale of lottery tickets. NLB ticket sales decreased from R4,9 billion in 2011/2012 to R4,7 billion in 2012/2013. Despite this, the grant allocations made increased from R1,4 billion in 2011/2012 to R1,9 billion in 2012/2013. This is probably related to a highly publicised surplus, being allocated in the recent years (National Lotteries Board Annual Report 2013: 68).

Kilbey (2010:107) in his study of fundraising within the Non-Profit Social Services sector reported an overwhelmingly negative perception of the NDA and the Lotteries. Smit (2005:356) found that 61% of NPOs that received funding from the NLDTF were not happy with the manner in that funds were distributed. Uncertainty of funding was the biggest cause of unhappiness followed by the lengthy process.

The National Department of Social Development and its Provincial Departments are key role players in the funding of NPOs that are involved in service delivery to the poor (Swart 2012). According to the White Paper for Social Welfare (1997:9) the proposed strategy of government is “To facilitate the provision of appropriate development of social welfare services to all South Africans, especially those living in poverty, those who are vulnerable and those who have special needs.” In addition the White Paper also includes, “To promote and strengthen the partnership between Government, the community and organisations in civil society and in the private sector who are involved with the delivery of services” as one of the goals (ibid). Despite this the Department of Social Development has been receiving the blame for a well documented state of crisis in the funding situation for NPOs. As a result NPOs which serve children, the elderly, disabled, and vulnerable people living in poverty, are struggling.

In the report, *Critical Perspectives on the Sustainability of NPOs in South Africa* (2012) the authors argue that there seems to be a perception in government that NPOs are only an irritant. The report also says that there are growing voices in civil society raising concerns that government sees civil society as service delivery and technical support contractors rather than development partners. CSOs also find it difficult to access government officials (ibid).

South Africa's biggest poverty alleviation strategy is the Social Assistance Programme, providing grants to 15,8 million beneficiaries with a budget of R105 billion in 2012/2013 (Corporate Social Investment Handbook CSIH 2012:163). The purpose of the programme is to reduce levels of deprivation and enable people to participate in the economy. Despite this extreme poverty continues to exist in some of the poorest provinces. This is accompanied by severe hunger and malnutrition. Starting in 2011 the government was planning to roll out the Food for All Campaign, which includes financial aid to poorest families, creating water cisterns in semi-arid areas, creating low cost restaurants, educating people about healthy eating habits, distributing vitamin supplements, supporting subsistence family farming and providing access to micro credit (ibid).

In 2011 the financial awards policy for non-profit organisations was approved and was implemented on an incremental basis in 2012. The aim of the policy is “guiding the country's response to the financing of service providers in the social development sector; to facilitate transformation and re-direction of services and resources; and ensuring the effective and efficient social services to the poor and vulnerable sectors of society” (Policy on Financial Awards to Service Providers 2011:15). The policy focuses on social welfare delivery and ensuring that NPOs deliver on statutory welfare services as well as government's developmental priorities (ibid).

Adams (2006:60-62) found that 85% of surveyed organisations received funding from government sources and that over 82% cited provincial government as their main public source of funding. Kilbey (2010) reported that 72.2% of the organisations surveyed felt that their organisations were put at a disadvantage by the government's funding policies. Kilbey (2010) stated that the picture that emerges is one of dissatisfied social service organisation staff who feel that state funding mechanisms are not well run and do not provide their organisations with the funding they so desperately need.

4.5.2 The Response of NPOs to the Funding Situation and Government

There have been a number of different responses by the NPO sector to the state of disarray with regards to funding from the state. NPOs have formed coalitions such as the Funding Practice Alliance and the Coalition on Civil Society Resource Mobilisation. Both of these coalitions have conducted research on the NDA and Lotteries and have used this research as an advocacy tool.

NPOs such as The South African Education and Environment Project (SAEP) and Sikhula Sonke instituted court action against the National Lotteries Board (Camay, 2010). The organisations applied to the court to have the NLDTF decisions not to fund these organisations, set aside because of administrative bungling. They also sought redress under the Promotion of Administration of Justice Act (PAJA) (ibid). The Western Cape High Court ruled in favour of the NPOs and the Lotteries took the matter to the Supreme Court of Appeals, where the the court dismissed the appeal (ibid). The Judge found that the Distribution Agencies (DAs) of the NLDTF have no statutory power to make rules binding on applicants. He also expressed reservations about the functioning of the DAs. The NLB was ordered to reconsider the applications and that decisions should be made in 60 days (ibid).

In the Free State, the National Association of Welfare Organisations and Non-Governmental Organisations (NAWONGO), NG Social Services Free State and Free State Care in Action brought an application before the courts. The action was filed against the Member of the Executive Committee (MEC) for Social Development, the Head of Free State Department of Social Development and the National Minister of Social Development (Budlender, 2011:1). The NPOs brought this court action after several years of frustration about the way in which the Department of Social Development dealt with transfers or subsidies to NPOs for delivering welfare services to vulnerable people on behalf of the department (ibid). The court ruled in favour of the applicants

and laid down the following principles: the finance policy should be revised in consultation with NPOs; the policy must have fair, equitable and transparent methods of determining how much the provincial departments should pay; and how much the NPOs should contribute from other sources of income such as donation from funders. It was found that NPOs cannot be made responsible for covering the shortfall of funds for delivering services, for which government is constitutionally and statutorily responsible (Budlender, 2011:4).

4.5.3 The Effect of the Global Economic Crisis on Non-Profit Funding in South Africa

Starting in 2008, the world began experiencing what is now referred to as a global economic crisis (Anheier, 2009:1). This economic crisis started in the United States and Europe and spilled over to the rest of the world. Initially South Africa evaded the severity of the crisis but it is hard to avoid experiencing the effects of decreased spending across the globe. South African NPOs that were dependent on international donors and foundations for funding have been hardest hit and the effect has been increased competition for local resources (ibid).

Harnell (2012) refers to David Emerson, CEO of the Association of Charitable Foundations (ACF), who acknowledged that the economic situation 'no longer looks like a crisp blip but a new normal'. Many endowed foundations have experienced continued low investment returns. There has also been an increased demand from charities struggling to meet high levels of social need. The economic situation has meant that NPOs find it difficult to continue with their missions in the way they did before (ibid).

Anheier (2009:3-4) says that the global economic crisis introduced a loss of trust in the economic system and insecurity. The situation resulted in opportunism by political actors, resulting in reductions in budgets being passed on to NPOs. Corporates also cut corporate social responsibility budgets in order to calm shareholders. Philanthropic foundations saw drops in asset values and as a

result reduced funds to pass onto NPOs. Reliance on contributions from individual households reduced as these faced greater financial uncertainty and declining net worth. NPOs were also destabilised by a loss of management and staff, unfulfilled contracts and obligations, and unmet demand. Anheier (2009) says that NPOs have to be pro-active and inventive in responding to the short and medium term of the fallout.

Gebreselassie-Hagos & Smit (2013: 13) reported that internal sources of funding did not change much during the recession, although 36% of NPOs indicated that fundraising resulted in lower revenues and 46% of NPOs reported that funds from membership fees stayed the same while 31% indicated they were lower. Only 54% of organisations reported having cash reserves with 61% of organisations reporting that they would have to close should regular funding cease.

Gebraselassie (2011:67) found that the South African government relies heavily on NPOs for service delivery and this was criticised by respondents for being ineffective in providing financial support to NPOs during the economic recession. Most NPOs indicated that the South African government played a minimal role in providing support during this crisis. Gebraselassie (2011:71) recommends that the government ensures that staff at the NLDTF are held accountable. The research also brought into question the role of the state and BEE and the impact that this has had on NPOs, which do not have exclusively black clients. The research found that these NPOs suffered the most from the recession.

4.6 Sources of Funding

According to Everatt (2005:9) South Africa seems to be a nation of givers. Over half (54%) of the respondents to research on social giving, gave to charities or other causes, a third gave food or goods and less than a fifth gave voluntary time. Less than half of the respondents gave money and or goods directly to the poor street-children, people begging on the streets etc. South African

citizens mobilise around R930 million per month for development and anti poverty work (ibid).

4.6.1 South African Corporate Social Responsibility/Investment (CSR or CSI)

The International Organisation for Standardisation (ISO) describes CSR as “a balanced approach for organisations to address economic, social and environmental issues in a way that aims to benefit people, communities and society” (Leonard and McAdam, 2003:1-32). Public trust in business is being questioned after the economic crisis and some of the related scandals such as Enron and WorldCom. In order to rebuild this trust, businesses must have a vision not only of what is good for business, but what is good for employees, communities and society as a whole (ibid). CSR is underpinned with values such as ethics and respect for people and as a result can help business rebuild its relationship with society.

According to the CSIH (2013:6-21) in a study of 208 NPO respondents and 103 corporate respondents, CSI expenditure grew to an estimated at R7.8 billion in 2013. In 84% of companies a moral imperative was most often quoted as a CSI driver with just over 40% having been motivated by the BBBEE Codes (ibid). The NPAT method to determine CSI budget remained the most common (41%) method and the proportion of corporates reporting the full five Socio Economic Development (SED) points increased to 60% in 2013 (ibid). CSI expenditure is concentrated in three provinces Gauteng, KZN and the Western Cape with Education; social and community development; and health receiving the largest share of CSI spend (ibid). Over 55% of companies increased their CSI expenditure in 2013 (ibid). Just over half of CSI funding is channelled via NPOs which receive the greatest share of their income from corporates (ibid).

CSI budgets are no longer based on the discretion of company executives. Since the introduction in 2007 of the Department of Trade and Industries (the DTI) Broad-based Black Economic Empowerment (BBBEE) Codes of Good Practice, more companies have based budgets on a

percentage of NPAT (Net Profit After Tax) (CSIH 2012). Over half of all companies used this measure in 2011/2012. BBBEE Codes of Good Practice require expenditure of 1% of NPAT in order to secure the full five points available for the socio-economic development (SED) component of the scorecard (ibid).

According to the study by Van Niekerk (2013:79), 24.4% of companies invest more than 1% of NPAT, which suggests their commitment to social investment. According to the results of Van Niekerk's survey, 15.6% of respondents indicated that CSI budgets were determined according to a company decision on an annual basis. A positive finding of this study was that no CSI respondents spent less than 1%.

4.6.2 International Funding

The move toward South Africa receiving Overseas Development Assistance (ODA) via the state only happened during the transitional and post apartheid era (Ewing and Guliwe, undated:1-4). This was a benefit of South Africa coming into the world political arena and losing its pariah status. Another contribution was the upward trend in ODA globally. At the same time some official donors to NPOs lost income because foreign governments that had channelled aid directly to NPOs switched to bilateral support for the new democratic government. It is a global trend that aid goes to projects that are focused on export promotion and winning geopolitical influence, rather than to poverty alleviation (ibid). Total ODA commitments to South Africa as a percentage of GDP remains small, at 0.4% in 2007 (Ramkolowan & Stern, 2009 :v).

Nationally South Africa could do without aid. However, some provincial and local development and poverty alleviation would cease to exist without ODA (Ewing and Guliwe, undated:1-4). The United States and the European Union are South Africa's biggest donor partners contributing 29,5% and 20,6% respectively \to the total ODA to South Africa between 2005-2007. Krige (2011),

indicates that according to treasury reports most international donors will have dis-invested by 2013-2015 .

International funding is affected by globalisation, and although funding allocations are often fixed, projects and programmes are affected. Fluctuations in the value of the rand, due to global shocks, have affected revenue to South African NPOs. If the rand loses it's strength recipients of international funding benefit from a strong donor currency and visa versa (Ewing and Guliwe, undated:13).

According to Budlender & Khan (2007:22), foreign donor support was cited as the source that assisted organisations the most over the five year period in question, followed by government grants and South African corporates. Foreign support, has, however been declining since 2002. Changing global policies on funding has an effect on the availability of funds (ibid).

4.6.3 Government

In addition to the Department of Social Development, the NDA and the NLDTF there are many other state funding channels that NPOs may access, provided they meet the necessary criteria (Vetten and Khan, 2002). Vetten and Khan (2002) indicates that a common reason for NPOs not being able to access government funding is that they are not proactive enough in finding out about how to secure these funds. This was also a challenge because government departments were not advertising the availability of these funds well enough to NPOs. They are also reportedly not providing clear information about application processes, and not responding to requests made by NPOs for funding (ibid).

4.6.4 Community Foundations and Other Intermediaries.

Community foundations are independent institutions, which are supported by funds from many

donors, which are used to address local needs. Attempting to build endowed funds which ensure funding flows into perpetuity to address community needs, are key to, the character of community foundations. Community foundations tend to focus on a specific geographical area, and are designed to meet local needs with local resources. They can be effective tools for building strong local communities. A strength of community foundations is that they enable people with philanthropic interests to easily and effectively support the issues they care about immediately or through bequests. Community foundations provide the tools and resources that make giving flexible, easy and effective, especially for individuals, families and businesses as well as non-profit agencies, in order for them to achieve their charitable goals (Community Foundations Gateway, 2012).

Community foundations are challenged by the context of South Africa being a developing country (Malombe, 2002:27-28). It is hard to find the right 'skill mix' for a board as representatives from the private sector often have limited understanding of the communities needs, but have the skill to manage money. Community representatives on the other hand have an understanding of the community, but often have limited skills in terms of managing money (ibid). This can slow down the process in establishing a foundation. Endowment building is also another key characteristic of the traditional US community foundation but is a foreign concept in developing countries. The needs of communities in developing countries are complex and put the community foundation under pressure which means that the process of building an endowment can also take the back seat (ibid).

4.6.5 Trusts and Foundations

Foundations according to Anheier & Leat (2006:3) are at best innovative, risk taking funders of causes that others either neglect, or are unable to address. Freedom from direct external control means that foundations have enormous potential to add to the problem solving capacity of modern

democratic societies (ibid:17). Anheier & Leat (2006) argues that there is an unease within foundations due to a lack of awareness about what could be possible. As a result foundations don't always realise their potential. Foundations are also criticised because of their behaviour in terms of governance and management, and their actual contributions and impact. This criticism exists because of the absence stakeholders to monitor their functions and see whether they have diverted from the will of the donor leading to goal displacement (ibid)

4.7 Fundraising Approaches

4.7.1 Fundraising Strategies

A fundraising strategy according to Cook (2002:291) is a carefully structured, well researched plan to gain those resources for your organisation. The key feature is that fundraising activities are planned and coordinated in relation to short and long term funding forecasts. The core objective of fundraising is to ensure that you have the necessary resources to carry out your organisations mission (ibid).

Connell (1998) argues that fundraising strategies are about selling your organisation. He emphasises that organisations must change their attitudes to be able to respond to increased competition in the fundraising environment. A good idea is the minimum requisite for a fundraising plan, but will not guarantee that an organisation will survive. NPO are also different from the corporate because the person that pays for the service is different to the one that uses it. Marketing is therefore the allocation of resources and the attracting of resources (ibid). Connell (1998) argues that organisations must think about why a donor would want to make a contribution and what will they get in return for giving money. He says there are a few rules for developing a strategy. The first is that it is important to develop a donor rather than get a donation. Secondly people don't give because they haven't been asked. Thirdly it is easier to retain a donor than to find a new one, and

lastly it is easier to get a donation from someone who knows the organisation because people give to people and not to institutions (ibid).

4.7.2 The Advancement Approach

Advancement and fundraising are not the same thing, even though many would think they are. According to Langley (2008), advancement describes "everything a philanthropically-driven institution does to strategically align its mission with those who possess similar values, concerns and aspirations, and those inclined to give their time, talent and treasure to worthy causes". Advancement is about finding common cause and building a community around that cause. An important aspect of advancement is finding the necessary resources to achieve the goals. This is as important as committing to the project, sticking to the promises made and communicating with stakeholders from the beginning to the end (ibid).

Advancement is about building interest in the organisation and once the interest is built seeking support (ibid). An advancement approach is about finding a donor that has a passion for what is being done by the organisation and ensuring that there is a match. Its is about benefiting from mutual expertise and experience. The advancement approach is about building a relationship in order to build commitment because and ensuring that the donor feels invested in the outcome (ibid).

In an article (Inyathelo, 2013) the writer (unamed) quotes Nazli Abrahams who says that the funding crisis is not just because of the global recession, but also because of the lack of qualified advancement professionals in the NPO sector. She says that too many worthy NPOs have had to close their doors because of the lack of staff with the skills and knowledge to raise the necessary funds.

4.7.3 Fundraising Through Proposals

Funding proposals are part of a process of raising funds and should not be confused for being the key step in fundraising (Social and Enterprise Development Innovations (SEDI), undated). Proposals are usually more successful when there is a relationship with the donor and the donor has invested intellectually in the organisation. A proposal is the tool for convincing the donor in writing that the problem is of significant magnitude, that there is a plan and that the organisation has the creativity or innovation to address the problem or need (ibid). Some donors provide guidelines and others do not, so it is useful for organisations to have a template of what they want to put into a proposal for when there are donors who do not have a format. In order to ensure a good proposal, there must be a good planning process. Proposals are time consuming and are not an overnight solution to a funding need (ibid).

4.7.4 Individual Giving

According to Pharoah (2012) individual giving refers to the many charitable gifts made by the general public, and is the largest source of income from donations. Individual giving and fundraising are both sides of the same coin as most giving is in response to an ask. The skill is in knowing what methods yield the most in what circumstances. It is estimated that individuals donate around £9.5 billion to charity annually, which is around one third of fundraising income annually. Around 48 % of individual donors give cash gifts in pubs, shops, churches and collections, face to face fundraising, street collections, in envelopes distributed door to door, sponsorships and special events. This amounts to 18% of the value of donations (ibid).

As with all fundraising, individuals give more when you build a relationship with them. Donors want to feel involved in the organisation they give money to, and it is the advancement practitioner or fundraisers responsibility to get them involved. This is the way to ensure that people continue to give. Keeping the mission of the organisation at the forefront is key to the success of individual

fundraising (Gorecht, 2012) .

4.7.5 Income Generation

Generating income frees an organisation from total dependence on philanthropic money. Unlike many grants earned, income is unrestricted and can be used however the organisation chooses. The challenge of generating an income is that it requires additional staff, which makes an organisation more costly to run and poses the risk of conflict of interest. It is fine as long as organisations prioritise their stated mission (Lapowsky, 2011).

4.8 Conclusion

The literature review has provided an insight into the literature available on the development of the NPO sector and issues related to the sustainability of the NPO sector. The review explored the NPO sector internationally and locally. The review sought to understand the influence of political and economic developments in South Africa and their influence over the NPO sector and its relationship with the state. An important consideration in the report is the world economic crisis of 2008 and the five years since. The report also explored the regulation of the NPO sector and different legislation and policies that affect the sector and have an influence over the sustainability of the sector. The report touches on the effect of Governance Codes such as King III and the Independent Code of Governance for Non Profits. Lastly, the review explored the development of fundraising for NPOs and different fundraising strategies.

The information presented in this chapter will be compared to the findings discussed in the next chapter 'Presentation and Discussion of findings'. Where possible it will show how the findings either corroborate or contradict the literature in this chapter. The literature review played an important role in helping the researcher understand the NPO sector and issues of sustainability. It also helped to highlight trends within the sector and gain insight into the current state of the NPO

sector with regard to issues of sustainability.

The following chapter will present and discuss the findings of the data collected during the research process. The data will be presented in a narrative format and visually using graphs and tables. Where possible it will be shown how the findings either support or argue against the literature reviewed in the last chapter.

CHAPTER 5

PRESENTATION AND DISCUSSION OF FINDINGS

5.1 Introduction

This chapter focusses on the presentation of the findings from the data collected during the research process. The findings are presented using graphs and numerical presentations as well as discussions. The results from the survey of the NPO sector are discussed and are integrated into discussions of the secondary data, which included the Audited Financial Statements of the NPOs.

This chapter starts with a summarised presentation and discussion of the response rates from the NPO population. The next section covers response rates and then organisational information including details of registration of NPOs, geographic areas in which NPOs operate and areas of focus. After this, the chapter covers the financial situation in NPOs and the sector, and is followed by perceptions of fundraising and challenges to secure the financial sustainability of the sector. The following two sections look at some important role players in terms of funding for the sector, being government departments, government agencies and corporates. Next is a section on perceptions of funding practices, which is followed by a section on the perceptions of governance in NPOs and how it relates to financial sustainability. Lastly the chapter addresses perceptions with regard to the future in terms of financial sustainability.

5.2 Response Rates

The population targeted in this research was the NPOs on the Inyathelo Institute for Advancement Data Base. Initially 494 emails were sent but 25 of these organisations could not be reached via email, nor contacted via phone. The total number of NPOs reached via emails was 469 and of these, three responded to say that they did not want to be part of the study. Two NPOs said they were too busy to participate in the study and five other NPOs responded saying that they were start-

ups and did not feel they had enough information to contribute to the study. The researcher initially set the deadline at two weeks, but in total it took two months to achieve a satisfactory sample. The final number of NPOs that responded was 101 amounting to 21.5% of the population targeted. Another 61 organisations partially responded to the survey and some emailed the researcher to say that the survey took too long and they did not have the time to complete the survey. The number of responses increased after the researcher sent personalised emails to all of the organisations in the population. This shows a positive correlation between personal connection and response rates. Table 1 indicates the response rates to the survey. The 61 partial responses were not included in the analysis of the data.

TABLE 1 - Response rate.

	Non Profit Organisation Respondents
Number of emails sent	494
Number of organisations that could not be contacted	25
Number of completed responses received	101
Number of incomplete responses received	61
Total Response Rate	21.50%

The researcher was pleased with a 21% response rate. This was confirmed by the literature which indicated that postal surveys can still expect to receive response rates of up to six times higher than online response rates (Resnick, 2012:9). Resnick (2012) also says that all the anecdotal evidence points to an expected response rate for postal surveys between 3% and 10% and that online surveys should be expected to yield a response between 0.5% and 1.5%. According to Denissen, Neuman & Van Zilk (2010) and Dilman (2000), despite popular thinking that online surveys would achieve higher response rates, it is in fact postal surveys that achieve higher response rates.

5.3 Organisational Information for the NPO Sector in South Africa

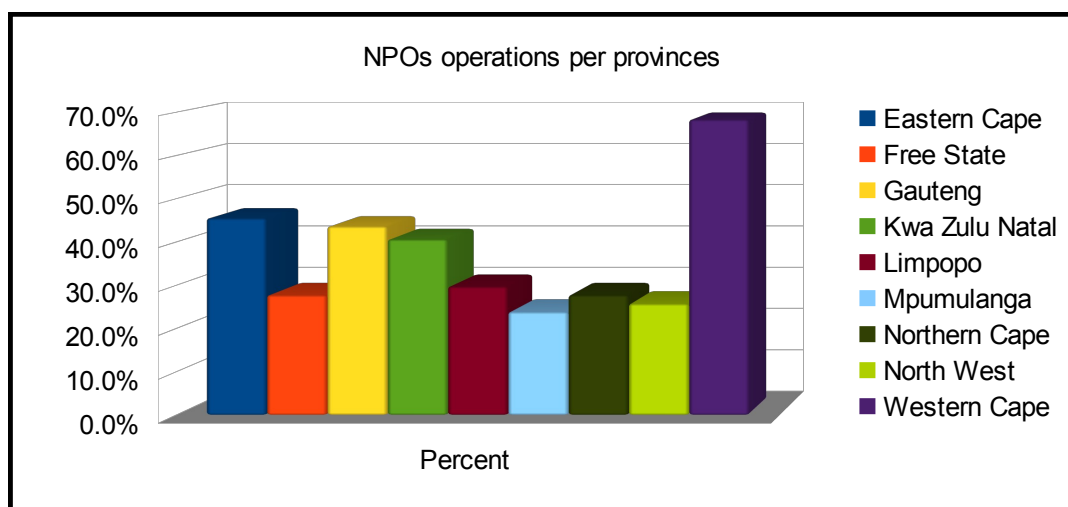
Most of the organisations that responded have their main offices located in Cape Town (54%) in the

Western Cape followed by Johannesburg (16.8 %) in Gauteng with the rest of the respondents spread out across the country. Port Elizabeth and Durban were the next highest cities or towns accounted for. There were also responses from organisations with their main offices in rural towns such as Beaufort West and Richards Bay. The high density location in Cape Town and Johannesburg can probably be attributed to the location of Inyathelo Institute for Advancements office in Cape Town and the fact that Johannesburg is easily accessible for workshops and other processes. It is also well known that most NPOs are located in Johannesburg and Cape Town as they are the two largest cities in South Africa.

The majority of NPO respondents worked in the Western Cape Province (68.3%). According to the survey 45.5% of respondents work in the Eastern Cape followed by Gauteng (43.6%) and Kwa Zulu Natal (40.6%). According to Lehohla (2009:13) in the literature, the Eastern Cape (17%) and KwaZulu Natal (23.8%) are two of the provinces with the highest number of people living below the upper bound poverty line followed by Limpopo Province (15.4%) and Gauteng (11.9%). The other provinces supported by the NPOs that responded to the survey were the Free State (27.7%), Limpopo (29.7%), Mpumalanga (23.8 %), Northern Cape (27.7%) and North West (25.7 %). The other five provinces were equally supported by the sample. Graph 1 indicated the spread of operations of NPO respondents per province.

The average age of the NPO sample was 22.8 years with the oldest NPO being 108 years old. Between 1908 and 1980 only 16 (15.8%) of the respondents were established. In the years between 1980 and 2000 41 (40.6%) of the organisations were established and after 2000 the majority 44 (43.5%) of the participating organisations were established. In the years 2001 and 2002 the most organisations were established with 6 and 7 organisations being set up in those years respectively. In the years after 2008, the number NPOs that were set up reduced.

GRAPH 1 - Operation of NPO respondents per province.



This was not however an indication of the trend in the years during which NPOs were started. According to the literature, NPOs that were set up in the 1980s often had the specific role to play of advocacy and activism and may have closed down as their role changed or possibly changed names and restarted as different organisations. It was interesting to see that the number of NPOs that have started since 1994 totalled 63 (62%) of the sample. This indicates that despite the change in government civil society has found the need to set up NPOs to take up issues of concern to them. The change of government has not resulted in apathy but rather a new form of civil society and establishment of new NPOs with a different purpose.

Except for one of the respondents all of the NPOs have a web address and shared these with the researcher. This indicates that the new age of technology has reached the NPO sector in South Africa. The NPOs that responded to the survey all had to have internet connections in order to complete the survey. The researcher sampled some of the NPO web sites and for the most part NPOs share their goals and objectives, descriptions of their programmes, names and details of board members and key staff and annual reports and other publications. The web sites were generally easy to use and accessible to the public. Some of the web sites sampled did not share their financial

information on the web sites or it was not easy to find when using the menu for the web site and the search options. Making financial information available is useful to potential donors and members of the public who would like to support an NPO.

The research results show that a wide variety of people with different job titles completed the survey with the largest proportion of respondents being Chief Executive Officers or Directors of NPOs (57%) and the second highest number being Fundraisers or Resource Mobilisation Managers (11%) and Managers, Administration Managers or General Managers (8%). The other respondents included Board Members (3%), Programme Coordinators and Project Coordinators (7%), Advocacy Coordinator (1%), Deputy Executive Director (1%), Chief Operating Officer (1%), Business Development Manager (1%), Capacity Building Manager (1%), Development Director (2%), Founders (2%), Provincial Directors (1%), Public Affairs Manager (1%), Regional Manager (1%), Special Projects Manager (1%), Speech Therapist (1%).

The survey was addressed to Board Members, Directors or Senior Managers of the NPOs in the population, so it was not surprising that the respondents were mostly from these job titles. It was also indicated that the respondent should be a person involved in funding for the organisation. For this reason a high percentage of respondents were fundraisers or resource mobilisations staff or managers.

In terms of numbers of years of service in the current position 1 person responded 48 years. Considering the age of some of the NPOs that responded this could be possible and also because some of the respondents listed 'founder' as their role in the NPO. Of the respondents 77% had less than 10 years service, and 17% had between 10 and 20 years, and 6% had over 20 years of service, in their current positions. The length of service contributes to the respondent's understanding of the

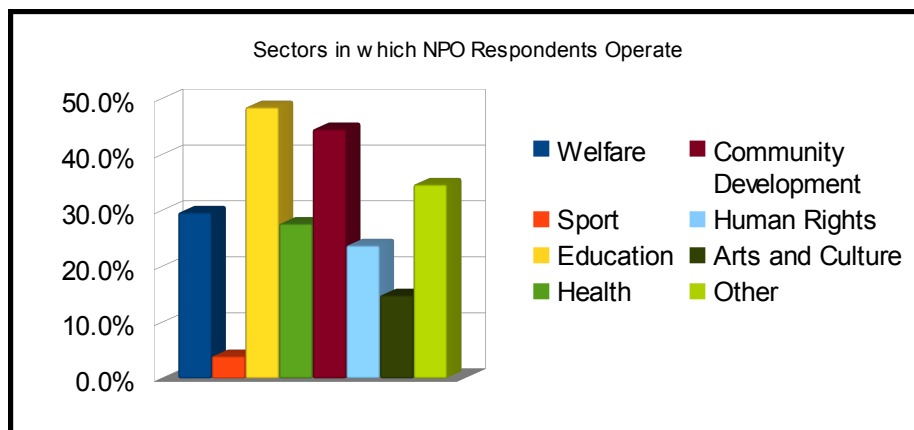
NPO and the history of their relationship with funders. Ten of the respondents only had one years' service, which would contribute to some of the 'unsure' responses in the survey. A high percentage of respondents (40%) had less than three years of service. It was interesting to note that a high percentage of staff are fairly new in their position, which does not indicate a lack of experience in the NPO sector. It does possibly indicate though that staff are fairly mobile and that there was a good turnover of staff in the sector. A high percentage of respondents were in senior positions in organisations and the relative newness to their positions could be a concern with regard to the retention of senior managers in NPOs.

Respondents were asked in which sector they operate and the question allowed them to respond to more than one of the sectors resulting in a higher number than 100% responses. This was because many NPOs operate in more than one sector. The highest sector supported by the NPO sample was Education (48.5%) with the second highest being Community Development (44.6%) and the third highest being Welfare (29.7%). Other sectors: Health (27.7%), Human Rights (23.8%), Arts and Culture (14.9%), and Sport (4%), are all supported by the NPO respondents to the survey. Respondents were able to respond to more than one sector as NPOs often cross over sectors. In response to the question "other" the following sectors were listed as supported: advocacy, child protection, disability, enabling civil society, enterprise development, ethics training and consulting, food security, grantmaking (community foundations), gender equality, infrastructure and housing, Lesbian Gay Bisexual Trans-gender Individuals (LGBTI), philanthropy development, religion, sign language, youth, environment, ethical trade, environment and corporate governance. Graph 2 reflects the different sectors in which NPO respondents operate.

The survey results showed that a high proportion (88%) of these NPOs are registered under the Non-Profit Organisations Act (No 71 of 1997). The high number of registered NPOs was not

surprising as although registration is voluntary, corporates and foreign donors have a preference towards funding those organisations that are registered as NPOs (CSIH, 2010) and it is a requirement for receiving government funding.

GRAPH 2- *Sectors in which NPO respondents operate.*

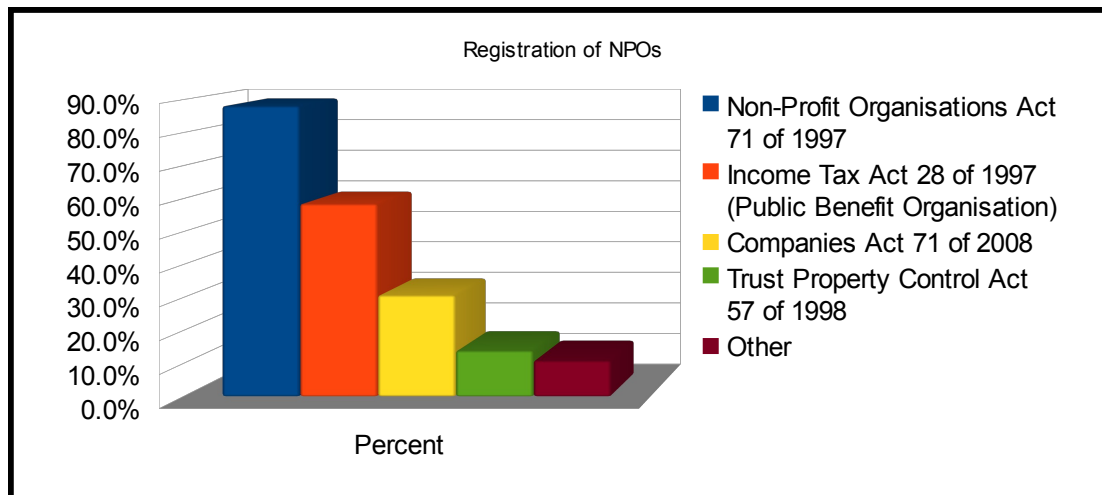


Pertaining to the registration of NPOs, 58.4% have registered as Public Benefit Organisations (PBOs) under the Income Tax Act (No 58 of 1962). This was not surprising as the literature indicates that there are numerous benefits both to NPOs (income which is not tax deductible) and the companies which support them if they are registered (tax deductions for donations to registered NPOs) (Wyngaard, 2011: 2). The research results showed that 30.7% of NPOs are registered under the Companies Act (No 71 of 2008). Graph 3 depicts the legislation under which NPOs are registered.

NPOs that responded reported an average permanent staff size of 24. The researcher has excluded for the purpose of analysis an NPO that reported over 1100 staff. The second largest permanent staff size of an NPO respondent was 180. There were three respondents that reported staff of between 170 and 180. The smallest NPO had no permanent staff with 45% of organisations reporting 10 or less staff. Although the average was 25 staff, only 13% of NPOs fit into this range. In the range

between 10 and 25 staff there were 15% of NPO respondents, meaning that 73% of NPOs are in the small to medium range.

GRAPH 3 - Legislation under which NPO respondents are registered.



Collectively there are 777 part-time staff in the respondent NPO organisations. This comprises 10% of the total number of people involved in NPOs. Although a relatively small percentage, it is interesting that NPOs rely so heavily on part-time staff. This was probably due to the economic recession. Part-time work although beneficial to people who want to work shorter days or fewer days in the week can create insecurity especially for staff who were working full-time but have been asked to work shorter hours due to financial insecurity.

The reported number of volunteers between all the NPO respondents was 11,208 although this includes one organisation that has 8,000 volunteers around the country. Excluding the 8,000 in one organisation the total number of volunteers was 3,208, which was almost as many as the permanent staff in organisations. This averages at 32 volunteers per organisation. Considering that the NPO sector is also at times referred to as the volunteer sector, this statistic was a validation of the importance of volunteers in the South African NPO. Volunteers are an important resource to NPOs. They ensure that NPOs remain close to the communities they were set up to serve. They also buffer

organisations during times of economic crisis as most NPOs, although not paying volunteers, wouldn't have to cover their direct costs.

Board members of NPOs are mostly volunteers. In total, the respondents report 801 board members, which was an average of 8 board members per organisation. The largest number of board members reported was 20 and the smallest was 0 board members. This was an NPO that was starting out and has not yet recruited board members. Table 2 indicates the number of permanent and part-time staff, volunteers and board members involved in NPO respondents.

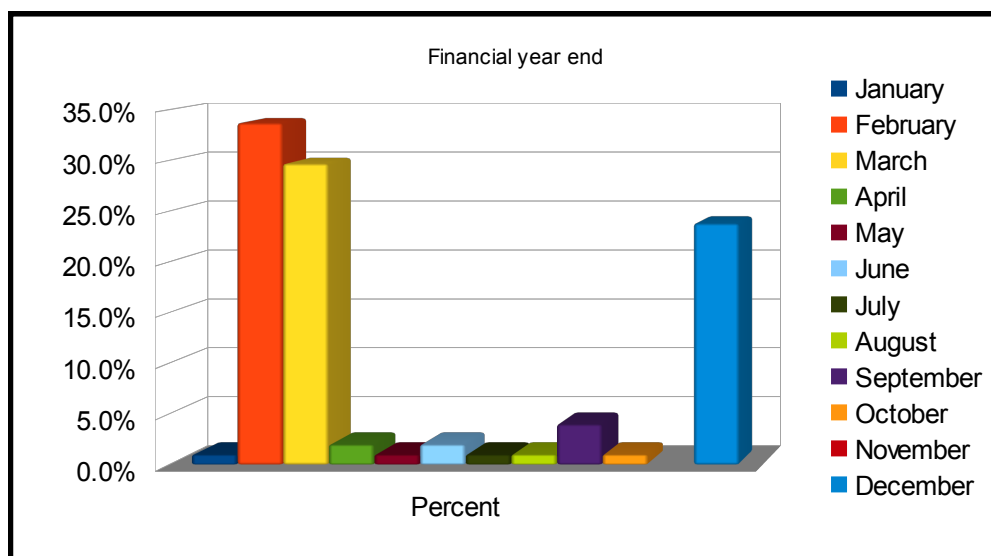
TABLE 2 : *Number of permanent and part-time staff, volunteers and board of NPO respondents.*

Number of people involved in NPOs	Total Number	Average per NPO	Percentage of Total
Number of Permanent Staff	2435	25	33%
Number of part-time staff	777	8	111%
Number of board members	801	8	11%
Number of volunteers	3208	32	44%

5.4 Financial Information and Trends in Terms of Income and Expenditure for the NPO Sector.

The majority of NPOs indicated that their financial year end was December (23.8%), February (33.7%) and March (29.7%). December was a logical calendar financial year end and February ties in with the SARS year end and with all government departments. For NPOs that receive government funding and subsidies, tying in with the government year end makes sense. A high percentage of NPOs have March (29%) as their financial year end, which was probably linked to the government financial year end allowing a month to finalise all financial statements before the audit. Graph 4 indicates the financial year end for the NPO respondents to the survey.

GRAPH 4 - Financial year end for NPOs.



Results of the survey show that in terms of expenditure for the last financial year, the size of the NPO sample varied considerably, with the majority (38.27%) of NPOs being in the R1 to R5 million category. The smallest expenditure reported was 0, and this organisation had advised the researcher that they were new and starting out. This organisation probably has not had zero expenditure but has not recorded expenses formally. Four other organisations did not record their income and expenditure and put zero in response to this question. The highest expenditure recorded was over R140 million for the last financial year.

In the category R0-R50,000 there was a fairly high number of NPOs reported (11.22%) especially since this was the smallest financial category analysed. In the category R5,000,001 to R10 million there was also a fairly high number of NPOs (19.39%). The large number of respondents being in the smallest expenditure category correlated with the age of the respondent organisations. With 47% of the respondents being fairly new organisations (ie set up after 2000) it can be understood that their income and expenditure would be lower than that of some of the older, more established

organisations. With time budgets increase and as awareness of an organisation's services increase, so does the demand for the services.

Interestingly, the income categories reported differed from the expenditure categories in terms of numbers of NPOs per category. In the R0-50,000 category half the number of organisations (6%) reported to have income in this range. This was probably due to surpluses and higher income in the R50,000- R100,000 range (10.6%), more than double the expenditure for this range. In the category R1 million to R5 million, the income and expenditure of the number of NPOs fairly closely matched up. A fairly high number of NPOs report income in the R10 to R15 million range, however the expenditure was higher in the R5 to R10 million range. Since this was only for one year, it could be assumed that either investments paid off in the past year, or there were exit grants from donors, which allow organisations to have a higher income, although the money was usually allocated to reserves for sustainability purposes and not for expenditure. In the other categories there seemed to be a fairly even match in terms of income and expenditure. Table 3 indicates the expenditure and income for NPO respondents in the past financial year.

TABLE 3 - Expenditure and income of NPOs in the 2012 financial year.

Amount per rand	Expenditure of NPOs		Income of NPOs	
	%	Number	%	Number
0-500000	11.22%	11	5.15%	5
500001-1000000	3.06%	3	10.31%	10
1000001-5000000	38.78%	38	41.24%	40
5000001-10000000	19.39%	19	14.43%	14
10000001-15000000	5.10%	5	10.31%	10
15000001-20000000	7.14%	7	6.19%	6
20000001-25000000	1.02%	1	3.09%	3
25000001-30000000	4.08%	4	3.09%	3
30000001-35000000	0.00%	0	0.00%	0
35000001-40000000	3.06%	3	1.03%	1
40000001-50000000	0.00%	0	1.03%	1
50000001-60000000	1.02%	1	1.03%	1
60000001-70000000	0.00%	0	0.00%	0
70000001-80000000	1.02%	1	0.00%	0
90000001-100000000	0.00%	0	0.00%	0
1000001-150000000	3.06%	3	2.06%	2

The researcher also analysed the income and expenditure of the Audited Financial Statements that were sent in. Only 52% of NPOs sent in their AFS and these reports revealed that, 41% of organisations operated with a deficit. In the previous financial year either ending 2011 or 2012 depending on the financial year end 52% of organisations operated with a deficit. It was encouraging to see that fewer organisations, from one year to the next, are operating with a deficit and that this has decreased by more than 10%. Only 52% of respondents sent in their financial reports, which has made it difficult to make any correlations between the data from the surveys and the data from financial statements. From financial reports it was possible to see that organisations have funded deficits from reserves and investments.

According to the responses to the survey, during the most recent financial year 31% of respondent organisations operated with a deficit. The total deficit was -R28,243,392 with an average deficit across these organisations of -R911,072. The total surplus across all the respondents was R12, 826,413, which was an average surplus of R162,359 across those organisations that reported a surplus. The researcher excluded one outlier, as the organisation reported a R26 million surplus. On looking at the annual report of that organisation it became evident that this was because of income that was received for a project, which will only be spent in the next few years. For this reason it was deemed irrelevant and would skew the data.

The total combined income of all the NPO respondents was R1,185,809,024. With 6% of organisations not sharing their financial information, the average income was R12,482,200 per NPO. According to Swilling & Russell (2002:34) the NPO sector had an estimated income of R18 billion in 1998, including volunteer contributions. Considering that this study was only of a sample of 101 NPOs and that there are between 80,000 and 100,000 registered NPOs this outcome implies that income for the sector has significantly increased. The analysis of Audited Financial Statements

from organisations which responded indicated that income had increased by 3% over two years. Taking into account CPIX averaging at 5% in 2013, this was in fact a decrease in income of 2%.

Comparing the most recent financial year with the previous financial year, it was revealed that income to the participating NPOs had increased by 3%. The survey did not ask NPOs to report on their previous financial year, only the most recent year in terms of amounts and so it was not possible to compare the data from the survey with the data from the annual financial statements.

The survey results show that since the economic recession, NPOs had the highest increase in income in 2010 (51%), but this slowed down again in 2011 (47.5%) and 2012 (49%). The smallest increase in income was in 2008 (46.5%) and 2009 (43.4%). During 2008, 19% and 2009, 21.2% reported that their income had stayed the same, despite NPOs reporting that their expenditure increased by 53.1% and 59.2% in the same year. This was not surprising as the world economic crisis started in 2008 and intensified in 2009. According to the literature 50% of NPOs globally reported a decline in income after the global economic crisis (Alliance Magazine, 2009). There was a 15% difference, however, between the number of organisations whose income increased and whose expenditure increased in 2012.

The trend seems to be that each year there was a higher increase in expenditure than there was in income. Table 4 indicates the changes in NPO income since the start of the economic recession and Table 5 indicate the changes in NPO expenditure since the start of the economic recession.

TABLE 4- *Changes in NPO income since the start of the economic recession.*

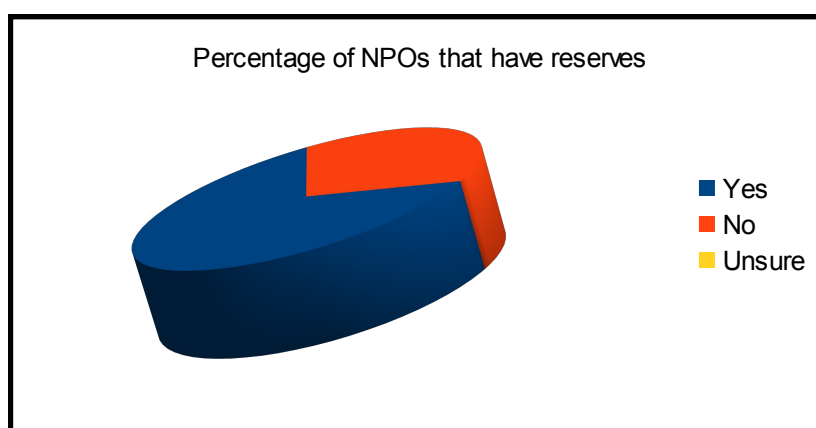
	Increased	Stayed the same	Decreased	Unsure	No income
	%	%	%	%	%
2008	46.5%	19.2%	12.1%	11.1%	11.1%
2009	43.4%	21.2%	16.2%	9.1%	10.1%
2010	51.0%	14.0%	22.0%	5.0%	8.0%
2011	47.5%	13.1%	32.3%	4.0%	3.0%
2012	49.0%	13.0%	34.0%	2.0%	2.0%

TABLE 5 - Changes in NPO expenditure since the start of the economic recession

	Increased	Stayed the same	Decreased	Unsure	No expenditure
	%	%	%	%	%
2008	53.1%	16.3%	9.2%	12.2%	9.2%
2009	59.2%	15.3%	7.1%	10.2%	8.2%
2010	60.0%	18.0%	10.0%	6.0%	6.0%
2011	58.0%	13.0%	22.0%	5.0%	2.0%
2012	64.6%	14.1%	18.2%	2.0%	1.0%

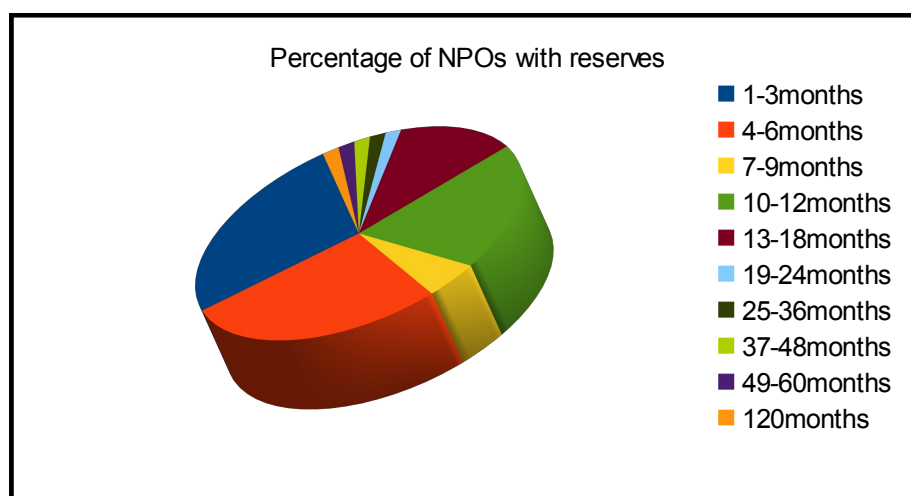
In order to manage a deficit during an economic crisis NPOs have to build up financial reserves. In response to the survey 66.3% of NPOs reported that they had financial reserves and 33.7% reported that they did not have reserves. These findings indicate an improved situation than was found by Gebreselassie-Hagos et al (2013: 114). According to Gebreselassie & Smit (2013) 61% of NPOs would have to close as they did not have the reserves to cover future operations. Kilbey (2010) found that more than half of the social service sector would be unable to operate more than three months from the date of the financial year end if they received no further funding. The improved finding in this survey could be because NPOs have taken action to build up reserves as a result of the “shock” of the global economic crisis. Considering that the analysis of income and expenditure indicated that 31% of organisations operated with a deficit in the last financial year, it was important that NPOs build up reserves. Graph 5 indicates the percentage of organisations that have reserves.

GRAPH 5 - NPOs with reserves.



According to the research 26.15% have 1-3 months of reserves. The majority of organisations have 4-6 months (27.69%) of reserves. Of the NPO respondents 20% have 10-12 months of reserves. The grouping 12-18 months also had a fairly high percentage (13.85%), considering how difficult it was to build up these reserves. One organisation reported 120 months of reserves, which means that the organisation does not have to fundraise for ten years. This was usually found in organisations where a donor gave an exit grant and left the organisation with an endowment from which they can only draw the interest for the programmes of the organisation. It was also possible that when an organisation was building up reserves for a particular purpose such as the purchase of a building, or the organisation was endowed by a founder member, generous philanthropist or bequests. Graph 6 reflects the percentage of NPOs with reserves according to the number of months they could fund.

GRAPH 6 - *NPOs with reserves according to number of months they could fund..*

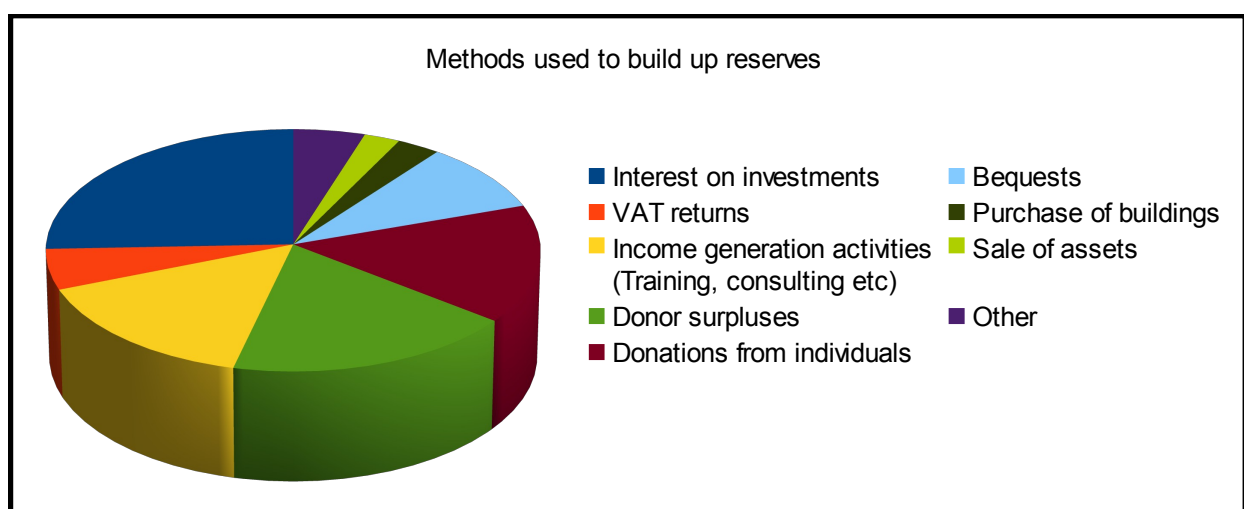


The research results show that the majority of organisations built up their reserves through investments (77.6%). Surprisingly, donor surpluses (55.2%) was the second highest method of building up reserves. This was surprising, because anecdotally, donors tend to request the return of funds that were not spent within a contract period. Income generation activities contributed 46.3% towards reserves. This was a high percentage considering that NPOs were not set up to charge for their services. NPOs were able to respond to more than one option.

Other valuable methods for the building up of reserves include donations from individuals (47.8%) and bequests (28.4%). Donations from individuals can be raised in small amounts from lots of individuals or larger amounts from high net-worth individuals, and are usually time consuming to raise, but are seldom designated to one single programme. This means that in years when NPOs are able to have a surplus, they can allocate these funds to reserves, unless the donor specifically allocated the money to a specific project or programme. Other less significant methods of building up reserves include purchase of buildings (9%) and sale of assets 7.5%.

NPOs that responded 'other' listed the following as methods for building up reserves, fiscal efficiency, fundraising, membership fees, auctions, endowments and transfer of annual surplus. In order to build up reserves, the funds have to come from money that was not specifically allocated by a donor to a programme, project or capital expenditure. Fiscal efficiency would require an organisation to be careful about spending money that was not allocated. For NPOs it was also difficult to find the balance between building up reserves and delivering programmes to the beneficiaries that the organisation was intended to serve. Graph 7 reflects the methods used by NPOs to build up reserves.

GRAPH 7 – Percentages of organisation using different methods used to build up reserves.



NPO respondents indicated that the highest increase in funding over the past five years came from local corporates (43.6%). According to Van Niekerk (2013:79), the research results show that there was a growing trend for CSI budgets to be determined by the DTIs B-BBEE Codes of Good Practice, which allows for five socio-economic development (SED) points for companies who spend 1% Net Profit After Tax (NPAT). Interestingly an analysis of financial statements sent in by NPOs revealed that only 5% of income came from local corporates.

Van Niekerk's research (2013: 79-80) in the literature showed that 44% of respondents used NPAT as the method of determining CSI budgets. Only 24.4% of CSIs invest more than 1% of NPAT and 15.6% of respondents said that their CSI budgets were decided annually, depending on income and expenditure and the effects of the global recession. This research also came to the conclusion that a large proportion (43.2%) of companies are likely to increase their CSI budgets whereas 15.9% are likely to decrease. NPO respondents to this research reported that 16.8% of local corporate funding stayed the same, and 20.8% experienced a decrease in funding. Of the respondents, 16.8% have never received funding from corporates. This ties in with the trend identified in the research by Van Niekerk (2013). Corporates also have the added benefit of tax exemption on donations which also motivates investment in the development sector. This is only if the NPO is registered as a PBO referred to in the literature. Table 6 reflects the changes in funding contributions from local corporates since the global economic crisis.

TABLE 6 - *Changes in funding contribution from local corporates.*

Funding from Local Corporates				
Increased	Stayed the same	Decreased	Never received funding	Unsure
44%	17%	21%	17%	2%

Interestingly 33.7% of NPOs experienced an increase in funding from individuals. This was encouraging given the context in South Africa, as it indicates a higher level of philanthropy in the

country. Given that South Africa has the highest Gini coefficient in the world, NPOs will have to rely increasingly on high net-worth individuals. This will contribute to a greater distribution of wealth from the rich to the poor. NPOs indicated that funding from individuals stayed the same (24.8%) and decreased (18.8%). NPOs reported that 19.8% have never received funding from individuals. Since there has been an increase of NPOs receiving funding from individuals this could be an area of opportunity for NPOs. Raising funds from individuals can be time consuming and this research does not indicate the size of the grants from individuals. The responses from NPOs also indicated that there had been a 26.7% increase in funding from local foundations. These could be funds from individuals that had been entrusted in foundations or trusts. An analysis of financial statements sent in by NPOs revealed that 5% of income came from donations. Table 7 reflects the changes in funding contributions from individuals to NPOs since the global economic crisis.

TABLE 7- *Changes in funding contributions from individuals to NPOs*

Individuals contributions to NPOs				
Increased	Stayed the same	Decreased	Never received funding	Unsure
34%	25%	19%	20%	3%

Despite indications in the literature that foreign funders are withdrawing from the country, funding from foreign foundations has increased by 28.7%. Again these foundations are largely organisations that have been endowed by individuals and families such as the Ford Foundation. These foundations are not limited by foreign policy and can determine their own funding priorities. An analysis of the financial statements from NPOs revealed that 63% of funding still comes from international funders. This analysis was limited because only 50% of NPOs sent in their financial statements, and of this, only around 50% had notes to their financial statements breaking down their sources of funding. This was however an interesting result. Table 8 reflects changes in funding contributions from foreign funders to local NPOs since the global economic crisis.

TABLE 8- *Changes in funding contributions from foreign funders to local NPOs.*

Foreign Funders contributions to NPOs				
Increased	Stayed the same	Decreased	Never received funding	Unsure
29%	16%	20%	29%	7%

Other areas of increase above 20% include service fees (28.7%), trading (business activities) (26.7%) and investments (29.7%). These are all areas that take NPOs out of their normal day to day business of serving the poor and the needy which was usually free of charge. Service fees are usually charged to other NPOs, government and corporates that may required the services that an NPO offers. Work for which NPOs have tendered resulted in a 16.8% increase in income. Tenders require specialised skills and are time consuming before securing the contract. Table 9 reflects the changes in income from service fees, membership fees, trading and investments since the economic crisis.

TABLE 9- *Changes in income from service fees, membership fees, trading and investments*

	Increased	Stayed the same	Decreased	Never received funding	Unsure
Service Fees	29%	20%	7%	38%	7%
Membership Fees	10%	12%	7%	38%	7%
Trading (Business)	27%	9%	5%	51%	9%
Investments	30%	19%	9%	34%	9%

Fundraising activities that usually include traditional events such as cake sales, dances, dinners, second hand clothing sales etc, increased by 24.8%. These are also activities that require a high degree of effort from NPOs and can distract organisations from the objectives for which they were set up. They are also good opportunities for marketing the organisation and building relationships with the public. Table 10 reflects changes in income from fundraising activities, since the global economic crisis.

TABLE 10- *Changes in income for NPOs from fundraising activities.*

Fundraising activities contribution to NPOs				
Increased	Stayed the same	Decreased	Never received funding	Unsure 24.8
25%	22%	14%	30%	10%

The most significant areas of decrease in funding were the National Lottery (22.8%), which also showed a low (16.8%) increase in funding. As one of the biggest funds in the country in terms of size and the number of NPOs it supports, it was a concern that there has not been a higher increase. NPOs also responded that of the respondents, 45.5% had never received funding from the Lotteries. This concurs with the report called Non Profit Job Losses and Service Cuts (2012:5) that indicated that the highest percentage of funding cuts (44.1%) had come from the NLDTF. Table 11 reflects changes in income from the NLDTF to NPOs since the global economic crisis.

TABLE 11- *Changes in income from the NLDTF to NPOs.*

National Lotteries Distribution Trust Fund contributions to NPOs				
Increased	Stayed the same	Decreased	Never received funding	Unsure
17%	8%	23%	46%	7%

The NPO respondents reported that 67.3% had never received funding from national government, 54.5% had never received funding from provincial government and 68.3% had never received funding from local government. NPO respondents also reported that 84.2% had never received funding from the NDA, a government agency set up specifically for the funding of NPOs. The fact that such a high number of NPOs have never received funding from government ties in with the literature. In the Non Profit Job Losses and Service Cuts Report (2012: 5) organisations also experienced significant cuts in funding from provincial government (28%) and national government (13.7%). An analysis of financial reports revealed that 13% of actual income came from national government and 16% from Provincial Government. Government was still a major contributor,

although not the largest contributor to funding for South African NPOs. According to the Swilling & Russell (2002:34) report government contributions to the NPO sector was higher than most countries at about 42% of total income. Table 12 reflects the changes in contributions from national and provincial government to NPOs since the global economic crisis.

TABLE 12- *Changes in National and Provincial Government Contributions to NPOs.*

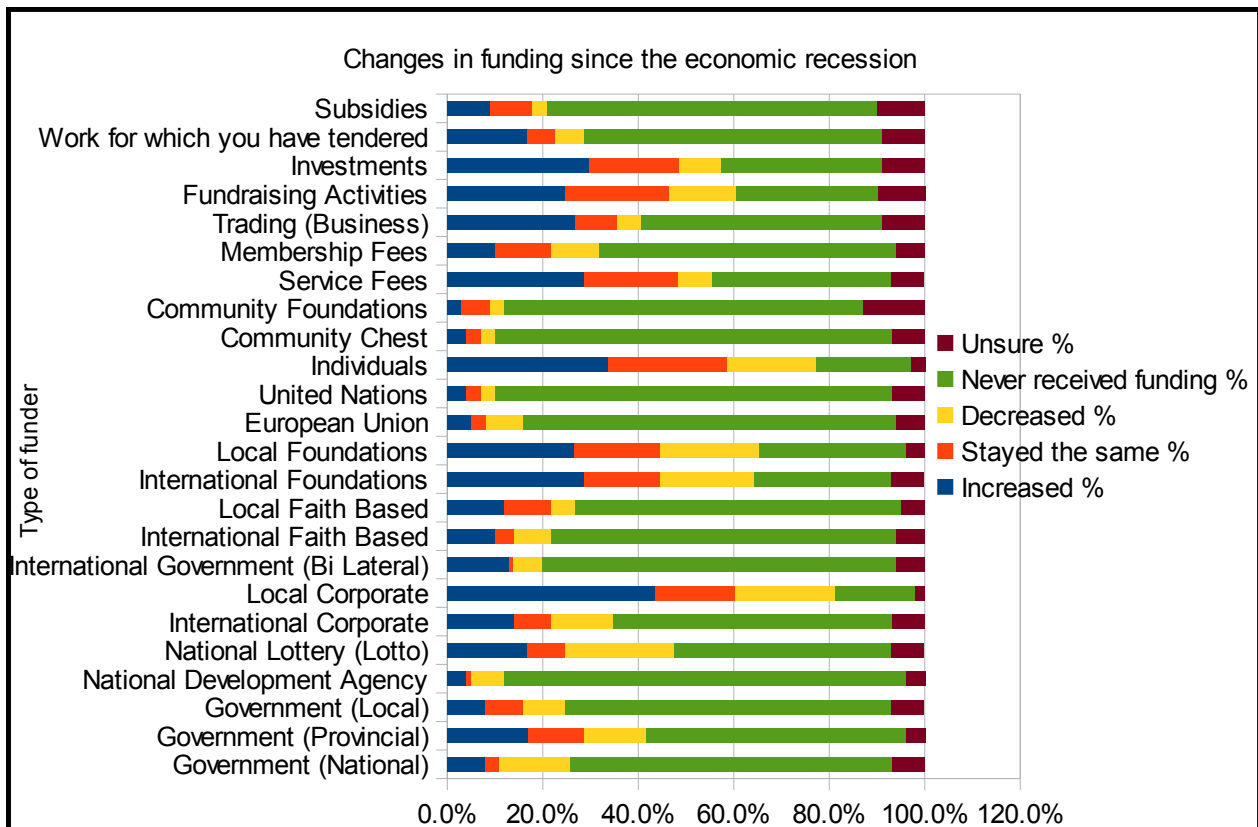
	Increased	Stayed the same	Decreased	Never received funding	Unsure
National government contributions	8%	3%	15%	67%	7%
Provincial government contributions	17%	12%	13%	55%	4%

This ties in with the literature which indicates that a perception exists among NPOs that government sees NPOs as an irritant (Critical Perspectives on the Sustainability of the NPOs in South Africa, 2012). The report also says that there are growing voices in civil society raising concerns that government sees civil society as service delivery and technical support contractors rather than development partners. In the same report CSOs reported that they found it difficult to access relevant government officials. Graph 8 indicates the changes in income from funders since the start of the global economic crisis.

NPO respondents indicated that writing proposals, always (80.2%) and sometimes (16.8%) was the method most used to raise funds. This means that almost all NPOs use writing proposals as a method of raising funds. Most funding relationships are only secured once a proposal was written which explained the importance of this method. This was followed by personal meetings with donors, always (63.4%) and sometimes (29.7%). Building relationships with donors was a very important method of fundraising and was important for ensuring that funders invest in the organisation. Investments (33.7% always and 21.8% sometimes) was the third most used method of fundraising. This requires a high degree of technical skill in order to achieve the best return on

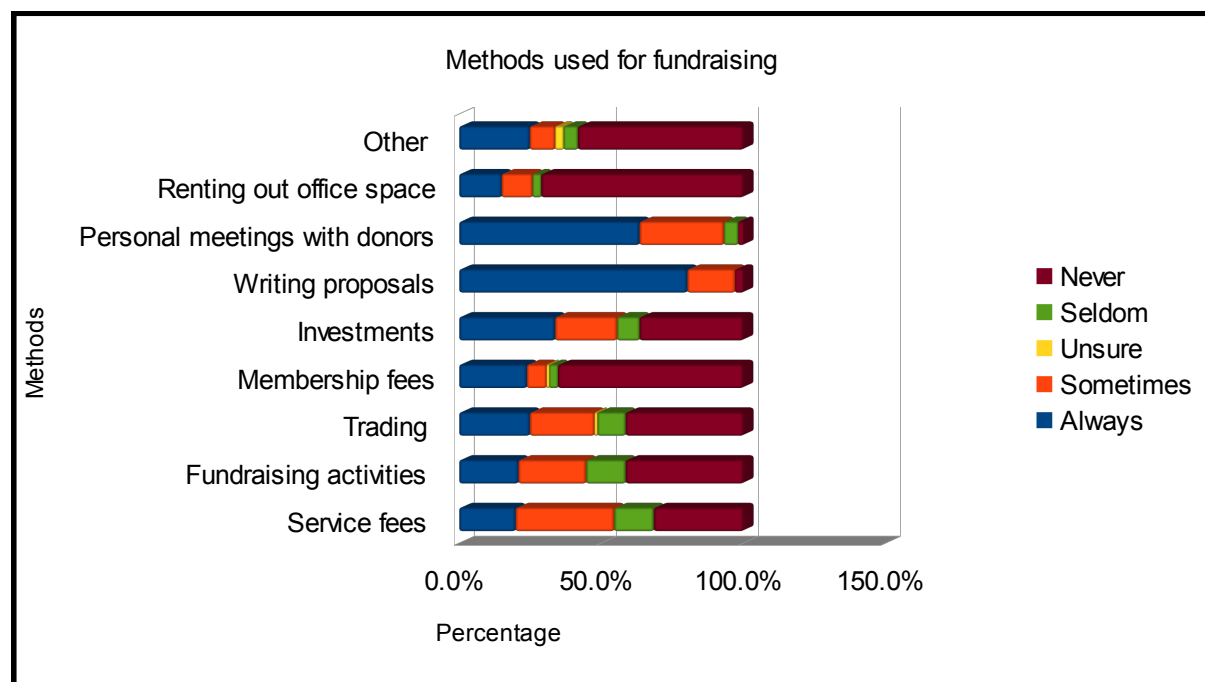
investments and also to ensure that money was not lost especially if the investment was on the markets.

GRAPH 8 - Changes in income from funders since the start of the global economic crisis.



Other methods of fundraising that were listed included conference sponsorships, direct mail, income generation projects, individual giving, internal lotteries, on-line auctions, bequests and tele-fundraising, publications to alumni, tithing, ticket sales for performances, venue hire and rental income from property, cause related marketing, debit orders from individuals and training. These methods all require creativity and can be costly in terms of time, financial and human resources. All sources of income are valuable especially during challenging economic times. Graph 9 reflects the methods used by organisations for raising funds.

GRAPH 9 - *Methods used by organisations to raise funds.*



NPOs were asked which methods they used to remedy the situation if they experienced decreased funding. A high number (55%) reported that they reduced operational/administrative costs. This usually places a high burden on the staff of the organisation especially those in management and administration. Reducing operational costs also means that NPOs are less likely to attract experienced skilled staff to lead and manage organisations. This could also contribute to a high staff turnover at senior levels because staff are poached by business and government or international NPOs. Improved efficiency scored 46.2%, which could be related to the percentage of organisations which reduced administrative costs.

A high percentage of respondents (39.7%) said they did not fill staff vacancies and 34.6% said that they reduced the number of staff. This adds to the burden on the staff that are left behind in the organisation. In an economic recession the demand for services of NPOs usually increases, placing an increased burden on the staff that are left behind in an organisation. Once organisations get used to working without those positions it was possible that the effect the added pressure was having on

staff was overlooked. Retrenchments, although sometimes necessary, leave a bad feeling in organisations with staff who are left behind often suffering from “survivor guilt” and living with the fear of another phase of retrenchments. In the study the Non Profit Job Losses and Service Cuts (2012) it was found that more than 43% of the organisations sampled had formally retrenched 7,612 permanent, contract, part time and volunteer staff. Organisations reported a 17% overall contraction of the workforce as a result of the cuts.

In addition to these austerity measures, 15.4% reported that they did not pay staff salaries during times of reduced income. This implies that there was a crisis and raises concerns about why leadership in organisations allowed the situation to get so bad as not being able to pay salaries. It does however happen, and one respondent mentioned that funders sometimes take time to pay grants forcing the organisation to take drastic measures to survive. In a similar vein, 9% of respondents answered that they reduced the working hours of staff. This was a way to ensure that fewer staff lose their jobs and that when there are funds available or a new funder was secured, that skilled staff were not lost.

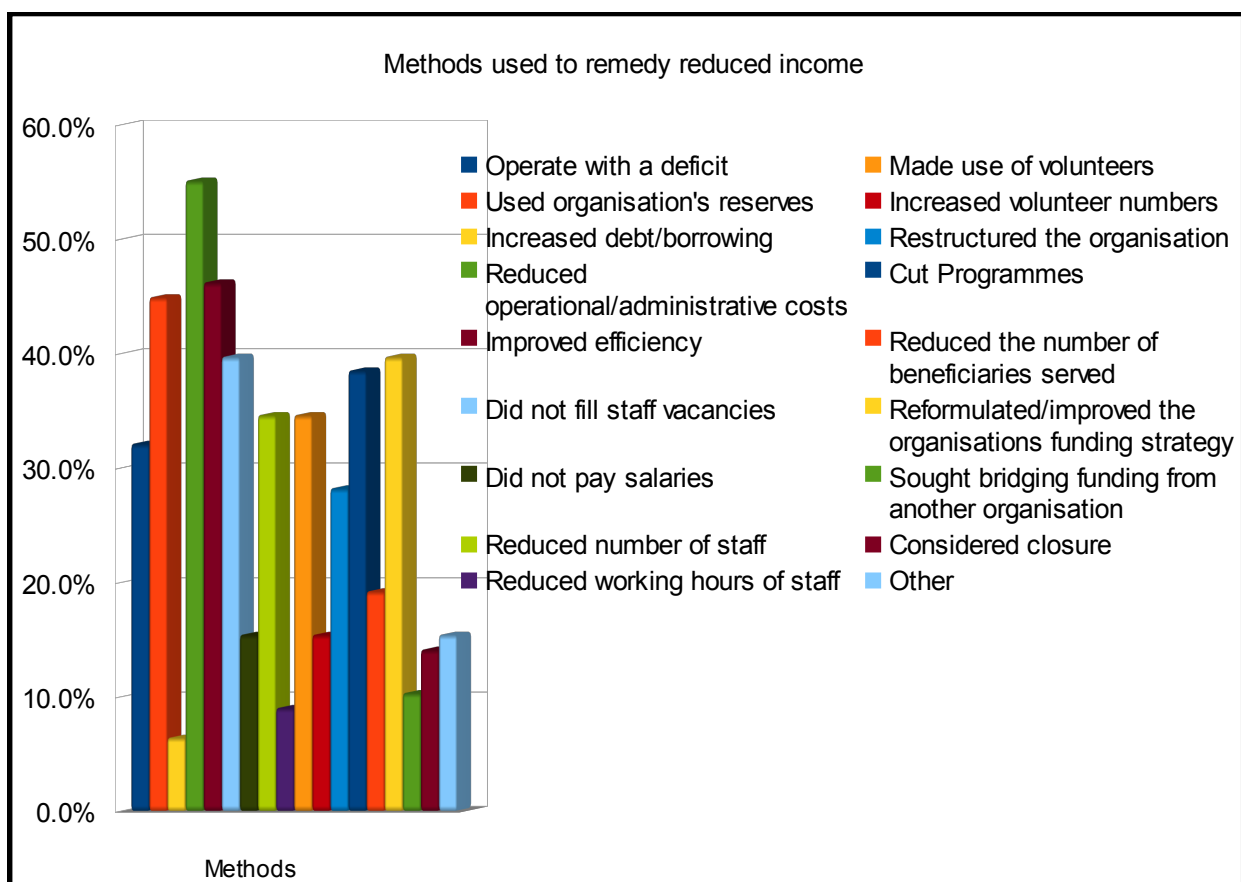
Another strategy to deal with the shortage of staff was the use of volunteers, and 34.6% said they used volunteers with 15.4% responding that they increased volunteer numbers. Swilling and Russell (2002) in the literature indicated that volunteers play an important role in NPOs and allocated a financial value of R5.1 billion to their contribution.

Of the respondents to the question of how organisations managed reduced income since the economic recession, 32% said that they operated with a deficit. This correlates with the analysis of income and expenditure which indicated that 31% of respondents operated with a deficit. A slightly higher percentage of respondents (44.9%) said that they used organisations' reserves. Deficits must

be funded from somewhere and it is healthier if they come from reserves than if money has to be borrowed from financial institutions to fund a deficit. Only 6.4% of NPOs said that they increased debt or borrowed money and 10.1% said that they sought bridging funding from another organisation.

A total of 38.4% of NPO respondents said that they cut programmes and 28% restructured the organisation. In an economic crisis there would be a higher demand for the work of NPOs. However, cutting programmes should only happen when they are no longer needed. If the cuts are financially driven this does not always mean there was less need, it may mean that the organisation cut programmes that it can't fund, or that are less critical in terms of the need of the beneficiaries. Graph 10 reflects the methods used by NPOs to remedy reduced income.

GRAPH 10 - Methods used by NPOs to remedy reduced income.

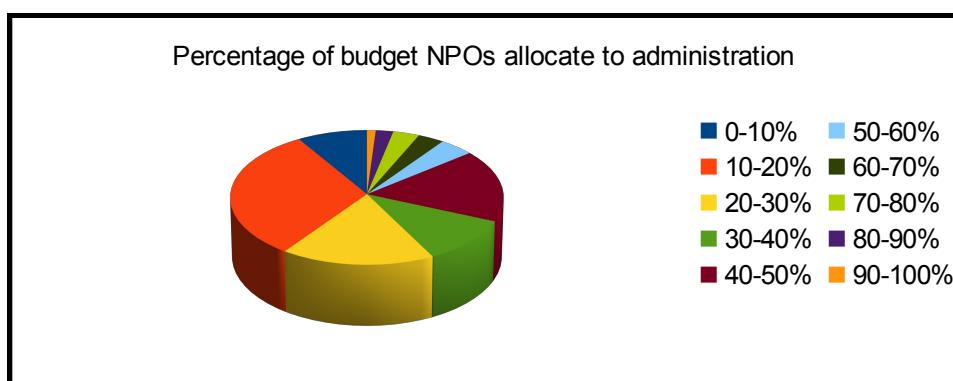


Organisations that responded that they had sought bridging funding from another organisation, answered that 16.7% approached an International Funder and 6.7% approached an International Foundation. Others responded that they approached another South African NPO (13.3%), South African corporates, (13.3%) individuals, (13.3%) and financial institutions (13.3%).

During a financial crisis the most important thing to do would probably be to reformulate or improve the organisations funding strategy. Only 39.7% of organisations responded that they had taken this action. Of the respondents 14.1 % considered closure. It was not possible to ask who had closed and to have those statistics, because the respondents were all existing, operational organisations. In the literature it is well documented that organisations had considered closure during this period and that many had closed. The loss was to the beneficiaries who were served by the organisations and also to the institutional memory and the partnerships that organisations had with other organisations.

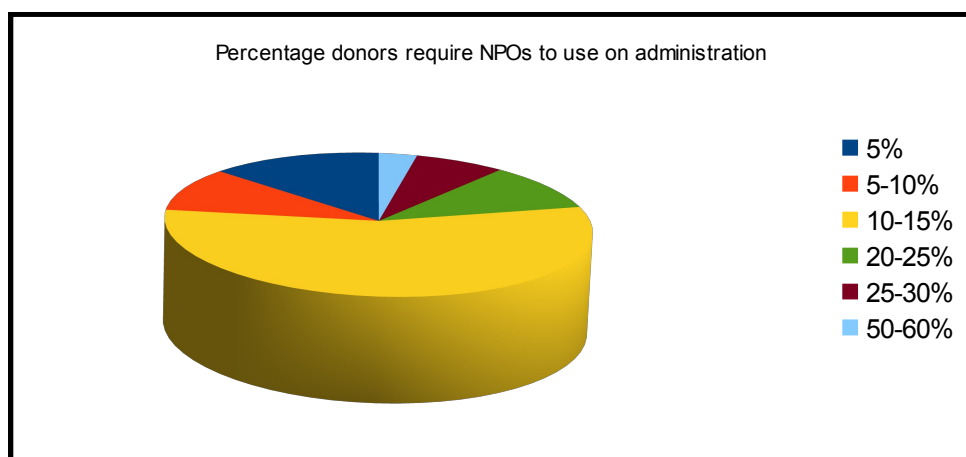
According to the literature, donors are increasingly stressing the need for organisations to run their operations efficiently due to a history of poorly run NPOs and misspent funds. The majority of NPOs responses (31.52%) indicated that they allocated 10-20% of their funds to administration. Interestingly in the category 40-50% allocated to administration, 17.39% of NPOs responded. *Graph 11* reflects the percentage of budget that NPOs allocate to administration.

GRAPH 11 – *NPO budget allocated to administration.*



In response to the question 'Has a funder ever asked you to limit the amount the organisation spends on administration costs?' 34.7% of NPOs responded yes. This was a high number considering the importance of NPOs maintaining an autonomous identity, and making decisions around how their budget was spent. NPOs are often challenged by donors to limit amounts spent on salaries and especially on the overhead costs of the organisation. Of the 34.7% of organisations that answered yes, 47% said they were asked to limit their spending on administration to between 10 and 15%. This was in line with the National Lotteries that allows NPOs to allocate up to 15% on administration. Graph 12 indicates the percentage of budget funders require organisations to spend on administration.

GRAPH 12 - *Limit which funders place on NPO allocation to spending on administration.*



5.5 Perceptions of Fundraising Methods and Challenges to Secure the Financial Sustainability of NPOs

The data reflected an interesting outcome in terms of NPOs perceptions of what makes fundraising successful or challenging. Some 76% of respondents indicated that they agree or strongly agree respectively that fundraising for their organisation was difficult. The political, economic and policy environment are important contributing factors in creating an enabling environment for fundraising. A high percentage of organisations indicated that the economic situation (87% strongly agree and agree) makes fundraising difficult. The political situation (49.6%) and government policies (46.6%)

are considered lesser factors contributing to the difficulty in fundraising for organisations. Literature however indicates that government has been particularly remiss about its obligations to the NPO sector (Coalition on Civil Society Resource Mobilisation, 2012: 45).

Considered of higher importance affecting the success of fundraising was competition for funding (86% agree and strongly agree). This correlates with the findings of Kilbey (2010:55) in a study of the Social Service (2010:55), which found that 60% experienced competition as a major difficulty and 35%, which found it a moderate difficulty. NGOs in the same sector often compete in the same pool of resources for funding for programmes, projects and services. Funders want to be able to see how their resources are going to make a difference and be used differently. The word innovation was often used when funders are looking for organisations to support. Yet for many organisations it was the tried and tested work that they have been doing for many years, for which they are seeking funding. Most programmes are based on years of learning and experience and innovation implies newness.

The financial constraints of an organisation are considered of moderate importance (61.4% strongly agree and agree) in making the decision to allocate money to fundraising. When organisations are financially constrained they often make cuts in overheads, which include the fundraising costs of an organisation. This was verified by the earlier responses to what organisations did in order to deal with a reduction in income. Over 55% of organisations said that they cut overhead costs. Kilbey (2010:106) also found that in the social service sector only 41% perceived lack of finance to be a major problem, although combined with the 42% that perceived lack of finance to be a moderate problem, the combined result was a high 83%. This means that either the situation has improved or the different result is because the study focused in the sector as a whole rather than only on the social service sector as in Kilbey's study.

On the issue of capacity in organisations respondent indicated that 15.% and 20.8% strongly agree and agree respectively that the skill and capacity in the organisation makes fundraising difficult. A small 4% and 5% strongly agree and agree respectively that the gender of the person fundraising affects the success of fundraising.

Interestingly, of the responses to the statement 'the director of the organisation should spend most of his/her time fundraising' 43.6% and 7.9% disagreed and strongly disagreed with 12.9% indicating they were unsure. Only 19.8% and 14.9% agree and strongly agree that their organisation has a full time fundraiser. This means that in 63.3% of organisations the fundraising falls to the director or other senior staff in the organisation. Only 9.9% of organisations regularly use fundraising consultants. only 14.9 % perceive consultants to be successful in fundraising for organisations.

A low percentage of NPOs have fundraising consultants or full time fundraisers. A moderate number of NPOs believe the Director should spend the majority of their time fundraising. According to the literature, the funding crisis was not just because of the global recession, but also because of the lack of qualified advancement professionals in the NPO sector. Gastrow (2013) in the literature says that too many worthy NPOs have had to close their doors because of the lack of staff with the skills and knowledge to raise the necessary funds (Inyathelo, 2013). Table 13.1 – 13.3 all refer to the responses to statements on factors contributing to fundraising success or challenges.

Interestingly, 24.8% and 54.5% strongly agree and agree respectively that their organisations have a fundraising strategy and 26.7% and 49.5% strongly agree and agree respectively that they have a fundraising plan. While these are high percentages, all of the NPOs that have existed beyond 3 years should have a fundraising strategy and a fundraising plan if they want to survive. With the average age of NPO respondent being 22 years there should be a much higher number that have

these in place. Only 9% of organisations that responded are less than 3 years old. Similar to the above responses 22.8% and 52.% strongly agree and agree that they have an up-to-date database of funders and what they fund.

TABLE 13.1 – *Responses to statements on factors contributing to fundraising success or challenges.*

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
Fundraising for our organisation is difficult.	35.6%	40.6%	4.0%	18.8%	1.0%
The political situation makes fundraising difficult.	24.8%	24.8%	21.8%	27.7%	1.0%
The economic situation makes fundraising difficult.	40.6%	46.5%	5.9%	6.9%	0.0%
Government policies make fundraising difficult.	21.8%	24.8%	21.8%	29.7%	2.0%
Competition for funding makes fundraising difficult.	36.6%	49.5%	3.0%	10.9%	0.0%
Our organisation's financial constraints makes it difficult to allocate money to fundraising.	26.7%	34.7%	3.0%	33.7%	2.0%
The skills and capacity in our organisations makes fundraising difficult.	15.8%	20.8%	7.9%	42.6%	12.90%
The gender of the person or persons raising money affects the success of fundraising.	4.0%	5.0%	15.8%	55.4%	19.8%
The director of an organisation should spend most of his/her time fundraising.	10.9%	24.8%	12.9%	43.6%	7.9%
Our organisation makes regular use of fundraising consultants.	1.0%	8.9%	5.9%	51.5%	32.7%
Fundraising consultants are usually successful in assisting organisations to raise funds.	2.0%	12.9%	48.5%	26.7%	9.9%
Our organisation has a full time fundraiser.	19.8%	14.9%	0.0%	46.5%	18.80%

A high number of respondents understand that building a relationship with a funder was critical to fundraising success. To this statement 77.2% and 18.8% strongly agree and agree respectively. It would be interesting to know how many organisations have the time and the capacity to action this statement considering the capacity challenges as noted earlier in the survey. Similarly a high percentage (61.4% and 35.6%) strongly agreed and agree that marketing the organisation was critical to fundraising success. To a lesser extent NPOs responded (25.7% and 36.6%) strongly

agree and agree that involving donors in building your strategy was critical to fundraising success.

TABLE 13.2 - Responses to statements on the factors contributing to fundraising success or challenges.

	trongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
Our organisation has a fundraising strategy.	24.8%	54.5%	8.9%	10.9%	1.0%
Our organisation has a fundraising plan.	26.7%	49.5%	9.9%	11.9%	2.0%
Our organisation has an up to date database of funders and what they fund.	22.8	52.5%	5.9%	16.8%	2.0%
Building a relationship with a funder is critical to fundraising success	77.2%	18.8%	4.0%	0.0%	0.0%
Marketing the organisation is critical to fundraising success.	61.4%	35.6%	1.0%	2.0%	0.0%
Involving donors in building your strategy is critical to fundraising success.	25.7%	36.6%	25.7%	11.9%	0.0%

The results of the study revealed that 1.0%, 8.9% and 16.8% strongly agree, agree or are unsure on whether it is easy to raise funds for staff salaries for organisations. Interestingly, 36.6% disagree or strongly disagree that it was easy to raise funds for staff salaries. It was not surprising then that 10.9% and 52.5% strongly agree and agree that it was easy to raise funds for their NPOs.

A small percentage (15.9%) strongly agree and agree that it was easy to raise funds for capital expenditure and an even smaller percentage (9.9%) responded strongly agree and agree that it was easy to raise funds for the administration of NPOs. This highlights the trend that funders tend to want to fund programmes but are not keen to fund salaries, administration and capital expenditure. However there are constant concerns raised about the leadership calibre of NPOs. Without funding for leadership salaries NPOs are not able to attract or retain decent leadership. Similarly, NPOs can not function without offices, telephones, electricity, transport etc, but these are costs that NPOs report finding difficulty in raising funds for. Table 13.3 refers to NPO responses to statements on the factors contributing to fundraising success or challenges.

TABLE 13.3 – *Responses to statements on the factors contributing to fundraising success or challenges*

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
It is easy to raise funds for staff salaries for our organisation.	1.0%	8.9%	16.8%	36.6%	36.6%
It is easy to raise funds for direct programme costs of our organisations.	10.9%	52.5%	12.9%	19.8%	4.0%
It is easy to raise funds for capital expenditure for our organisation.	5.0%	10.9%	19.8%	44.6%	19.8
It is easy to raise funds for the administration of our organisation.	3.0%	6.9%	13.9%	41.6%	34.7%

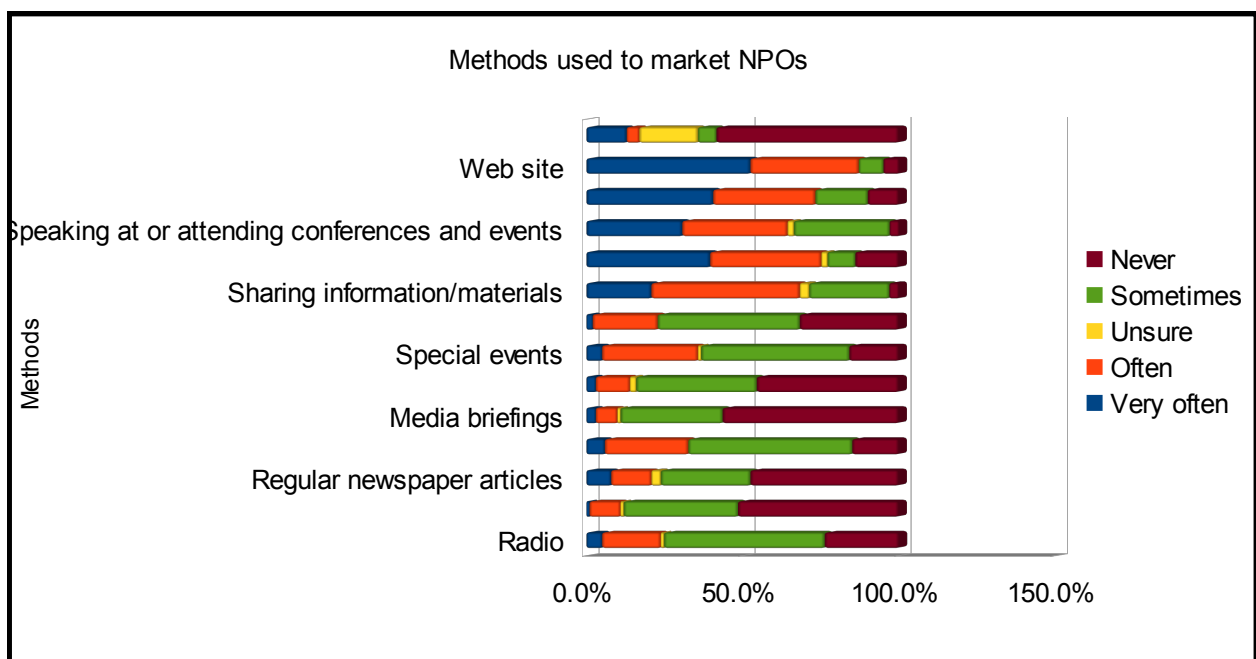
When looking at the methods NPO use to market themselves, the highest response was 52% very often and 34.7% often use web sites. Taking into account the sample of web sites that were looked at as part of the research, NPOs consider web sites as important. Web sites can be seen as important tools for validating the existence of an NPO and for exposing the public to the work of an NPO. Similarly social media such as Facebook and Twitter are also used (40.6%) very often and 32.7% (often). This also indicates that NPOs are using modern tools and are active in the marketing of their organisations. Web sites and social media require constant engagement in order to be useful tools for marketing. The new media space is constantly evolving and this requires a high level of technical and often expensive skills.

Of the other methods of marketing, speaking at, or attending conferences and events realised a high score (30.7% very often and 33.7% often) as did sharing information and materials (20.8% very often and 47.5% very often). These are more traditional marketing methods for NPOs and also fit into the programmes of many NPOs that often include awareness raising. Television scored a low percentage (1% very often and 9.9% often). Taking into consideration the cost of advertising on television and the focus of the news on negative stories it was not surprising that NPOs seldom use or have access to television as a tool for marketing. Radio similar to television also scored a low 5% (very often) and 18.8% (often) despite being a more accessible method of marketing.

Special events and launches also achieved moderate scores (35.7% and 22.8% very often and often respectively). Again these are tools that some NPOs use as part of their strategy of achieving the goals of their organisations and the exposure it provides was an added benefit. These also require a high level of capacity and creativity in order to achieve exposure and be effective as marketing tools. It also depends on the audience that was targeted and reached by an event. Regular newspaper articles (7.9% very often and 12.9% often), occasional newspaper articles (5.9% often and 26.7% often), media briefings (3.0% very often and 6.9% often) and opinion pieces in the media (3% very often and 10.9% often) are all effective methods of marketing NPOs, but achieved moderate scores in the survey.

The following were the responses to 'other'; approach individuals, awareness campaigns, newsletters, brand ambassador campaigns, DVDs, books, input on policy matters, personal interaction with organisations, qualitative and quantitative surveys, board members building relationships, word of mouth, churches, community events and networking. One respondent said 'never thought about it'. Graph 13 depicts the methods used by NPOs to market their organisations.

GRAPH 13 – Methods used by NPOs to market their organisations.



5.6 Perceptions and Experiences of National, Provincial Government and Other Government Funding Agencies.

In response to the question 'Has your organisation applied to national government for funding or subsidies?', 38% answered 'yes' and 59% answered 'no'. The balance responded unsure. Considering the financial situation of many NPOs it was surprising that a minority had applied to national government. This could be because NPOs find national government inaccessible or because they are unaware of the different pools of funds available for NPOs. Not all of the NPOs that responded 'yes' to the question shared the details in terms of amounts, departments and dates. Of the NPOs that have applied to national government 14% applied to education, 11% applied to arts and culture, 36% to social development, 22% to health, 2% to justice, 2% to trade and industries and 3% to other.

Of the NPOs that applied for funding 56% received a positive response and 43% negative or no response. According to figures provided in response to the the amount applied for an amount received indicates that the NPOs that were successful received 81% of the amount they requested from a national government department. The majority of the applications submitted were reportedly during 2012 and 2013. This may be because the respondents only reported on their most recent experience. It could also be an indication that as foreign income reduces, more NPOs are looking to the national government to support their causes.

Interestingly, respondents indicated that 59.5% disagree and 13.5% strongly disagree that national government funding application guidelines are clear and easy to understand. This would explain the low percentage of NPOs that applied to national government for funding. With unclear application guidelines, organisation will be less likely to feel that national government was accessible and that there was an interest in supporting the sector.

On the whole, NPOs responded that national government's administration of funding relationships leave a lot to be desired. In response to screening processes and communication with national government and responses to queries the majority of NPOs disagree and strongly disagree that national government was effective in terms of ease and being timeous. The greater majority (80%) disagreed and strongly disagreed that communication with national government was easy.

A high number of NPOs responded 'unsure' to the following statements 'unsure' because the majority that applied for funding were not successful. They did not have the opportunity to engage with the administrative processes of government. To the statement 'the contract with national government was easy to understand' there was a balance between NPOs that responded 'agree' (32.4%) and collectively 'disagree' (20.6%) and 'strongly disagree' (11.8%) .

On the aspect of reporting a majority responded 'agree' that (35.3%) narrative and (32.4%) financial reporting to national government was easy. This could also mean that the guidelines for reporting are clearer. According to the literature, national government is governed by the Public Finance Management Act (No 1 of 1999) and this should ensure clear reporting guidelines. On the aspect of reporting, the majority (51.5%) responded unsure to the statement 'feedback from national government on narrative and financial reports was thorough'. Table 14 refers to responses to statements related to the funding relationship with national government.

Of the respondents 43% responded that they had applied to provincial government for funding, 53% said they had not and 4% were unsure. Interestingly compared to national government (58%), 73% of NPOs that applied were successful. This was probably because provincial government is more accessible to NPOs, which makes it easier to build relationships and for the staff dealing with applications to be aware of the work of NPOs in their province. Of the NPOs that applied to

provincial government, 57% applied to the Departments of Social Development, 11% to Departments of Arts and Culture, 14% to Departments of Health, and a further 11% to Department of Education.

TABLE 14 - Perceptions of Funding and Funding Practices of National Government.

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
National government funding application guidelines are clear and easy to understand.	0.0%	18.9%	8.1%	59.5%	13.5%
National government screening processes are timeous.	10.8%	24.3%	8.1%	37.8%	18.9%
National government responds to queries timeously.	2.8%	5.6%	11.1%	47.2%	33.3%
Communication with national government was easy to understand.	2.7%	10.8%	13.5%	35.1%	37.8%
The contract with national government was easy to understand.	0.0%	32.4%	35.3%	20.6%	11.8%
The disbursement of funds from national government was timeous.	0.0%	11.8%	41.2%	32.4%	14.7%
The administration process at national government were effective.	0.0%	11.8%	41.2%	32.4%	14.7%
Narrative reporting to national government was easy.	0.0%	35.3%	44.1%	14.7%	5.9%
Financial reporting to national government was easy.	0.0%	32.4%	47.1%	14.7%	5.9%
Feedback from national government on our narrative reports was thorough.	0.0%	20.6%	50.0%	20.6%	8.8%
Feedback from national government on our financial reports was thorough.	0.0%	21.2%	51.5%	15.2%	12.1%

NPOs from the Western Cape sent the highest number of applications (70%), followed by Gauteng (16%) and the Northern Cape and KwaZulu Natal equally (2%). This was not a surprising response as the majority of respondents (68%) reported that they work in the Western Cape. Of the applicants that applied for funding and were successful, 58% of the amount requested was awarded.

In order to accommodate the nature of a quantitative survey and without making it too time consuming for respondents, the survey asked for general perceptions of provincial government in terms of funding practices. Of the respondents the majority (45%) disagree and (17.5%) strongly

disagree with the statement that provincial government application guidelines are clear and easy to understand. Considering that the majority of these NPOs applied to the Western Cape and Gauteng Governments this would be an indictment on these governments. However, since these are the two provinces with the largest cities and therefore should have the best infrastructure and available skills set, it could be assumed that NPOs did not apply to the other provinces because they are worse in terms of this category of funding administration.

An even higher percentage (32.5% disagree and 30% strongly disagree) that provincial government screening processes are timeous. In response to communication with provincial government was easy, there was more of a balance between strongly agree (7.3%), agree (34.1%) and disagree (26.8%) and strongly disagree (22.0). The responses weighed more toward disagree and strongly disagree in response to the statement provincial government responded to queries timeously.

The following statements dealt with organisations that had received funding so the NPOs that did not receive funding responded “unsure” (on average around 20%). In the area of management of the grant ie contracting, administration, payments, reporting and feedback, respondents were more positive than on the application and screening phase. Around 60% of NPOs found reporting to provincial government to be easy. This was similar to the response to national government.

NPOs gave provincial government a low rating on the aspect 'feedback on reports'. NPOs responded strongly agree (5%) and agree (22%) that feedback on reports was thorough. To the statement 'narrative reporting to provincial government was easy', NPOs responded 12% strongly agree and 47.5% agree. To the statement 'financial reporting to provincial government was easy' responded 15% strongly agree and 45% agree. Table 15 reflects NPO responses to statements on the funding practices of provincial government.

TABLE 15 – *Responses to perceptions of the funding practices of provincial government.*

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
Provincial government funding application guidelines are clear and easy to understand.	7.5%	22.5%	7.5%	45.0%	17.5%
Provincial government screening processes are timeous.	10.0%	15.0%	12.5%	32.5%	30.0%
Provincial government responds to queries timeously.	7.3%	34.1%	9.8%	26.8%	22.0%
Communication with provincial government was easy to understand.	4.9%	31.7%	9.8%	26.8%	26.8%
The contract with provincial government was easy to understand.	10.0%	35.0%	20.0%	22.5%	12.5%
The disbursement of funds from provincial government was timeous.	5.0%	32.5%	20.0%	20.0%	22.5%
The administration process at provincial government were effective.	2.4%	31.7%	17.0%	24.4%	24.4%
Narrative reporting to provincial government was easy.	12.5%	47.5%	12.5%	17.5%	10.0%
Financial reporting to provincial government was easy.	15.0%	45.0%	15.0%	15.0%	10.0%
Feedback from provincial government on our reports was thorough.	5.0%	22.5%	17.5%	30.0%	25.0%

Of the respondents to the survey 69% said that they had applied to the National Lotteries Distribution Trust Fund for funding. This was much higher than the 38% that had applied to national government and 43% that had applied to provincial government. This could be because more organisations are aware of and understand the application process with the NLDTF. The reason for the publicity has been its poor performance in meeting its mandate. The publicity has however put into the public domain the size of the fund and the underspend. This was made known during the court action which was detailed in the literature which took place between the NLDTF and two NPOs. The NLDTF has also had road shows and public consultation processes in order to redeem their image and this has made the NPO sector more aware of the resources available as well as the application processes.

In the years 2008-2010, 44 organisations applied for funding. This represented a 66% increase on the previous 4 years. Of these, 77% were successful, a significant reduction from the 93% success of the previous four years. This implies a correlation between the number of NPOs applying and the percentage which are successful. These organisations reported that it took an average of 13 months to get a response to their applications. This was only an improvement of a month on the previous four years. Of the organisations that were successful in applying for funding, 86% of the funds that were requested was awarded. This was a 5% decrease on the previous five years. Smit (2005:356) also found that 47% of NPOs were unhappy with lengthy application processes.

During the years 2011-2013, 68 organisations applied for funding. This represents a 35% increase on the previous three years. Of these, 66% were successful. This represents an 8% decrease on the previous three years and overall the success of claims decreased by 25%. According to the literature the Rand amount of funds in the NLDTF from 2006/2007 to 2011/2012 had increased by R400 million (National Lotteries Board, undated) . In 2006/2007 it was R1,3 billion and in 2011/2012 R1,7 billion. These organisations reported that it took on average 12 months to receive a response. Again this was only a one month improvement on the previous three years. This was despite the NLDTF making commitments to the sector to improve the processing of applications. The NLDTF does report that the number of applications received increased as a result of the road shows and increased exposure of the fund to the public. Of the organisations that were successful in applying for funding, 59% of the funds that were requested was awarded. This was a significant decrease (27%) on the previous three years. As the number of organisations applying increased, the percentage of funding received compared to the amount applied for increased. This despite the 23% increase in funding available.

Of the respondents that indicated that they had applied to the NLDTF for funding 69% indicated

that they strongly agree or agree that the NLDTF application guidelines are clear and easy to understand. The number of NPOs that applied to the NLDTF increased significantly over the past 9 years and the ease of understanding the guidelines could be a contributing factor. Despite the ease of understanding the application guidelines, 74% responded disagree and strongly disagree to the statement 'NLDTF screening processes are timeous'. With averages of between 14 and 12 months over the past 9 years for responses to applications, and only a 2 month improvement, this was not surprising. This correlates with previous research by the Funding Practice Alliance, which indicated that on average, it takes the NLDTF over a year to process applications (Benjamin-Liebert & Liebert, 2011: 39).

Regarding aspects of communication with the NLDTF, the responses were mostly negative. To the statement 'communication with the Lotto was easy', 72% responded disagree and strongly disagree. Similarly a high percentage responded (76%) disagree and strongly disagree with the statement 'the Lotto responds to queries timeously'. Previous research by the Benjamin-Liebert & Liebert (2011:121) also indicated that NPOs "...experienced obstacles to accessing information and that this was largely due to inadequately trained staff who are unable to engage with applicants on issues of development and poverty and have limited capacity to service applicants" .

Results indicate that a high percentage of NPOs (63%) agree and strongly agree that the contract with the Lotto was easy to understand, and 48% responded strongly agree and disagree to the statement 'the disbursement of grants from the Lotto was timeous and according to the contract'. Of the respondents 20% responded unsure. Considering that a number of applications were unsuccessful this is not surprising as they would not have received a contract or funding. In response to the statement 'administration processes at the Lotto were effective' the majority of NPOs (60%) responded disagree and strongly disagree. The Benjamin-Liebert & Liebert (2011)

findings indicated that the grantmaking process at the Lotto was under extreme pressure. This was due to the high number of applications as well as the mechanisms for processing these applications. The report also indicated that record keeping was unreliable and that staff do not have easy access to beneficiary specific files containing the history of applications, previous grant awards and original application documents (Benjamin-Liebert & Liebert, 2011: 121). Smit (2005:356) also found that NPOs were unhappy with the NLDTF and that 74% would prefer for the NLDTF to allocate a global amount to Community Chest in order for them to allocate this money.

The majority of NPOs responded strongly agree and agree to the statements 'narrative reporting to the NLDTF was easy' and 'financial reporting to the Lotto was easy'. To the statement 'feedback from the NLDTF on our reports was thorough' the response was mostly negative with 60% of NPOs responding disagree and strongly disagree. This corresponds with most other administration and communication aspects of the funding relationship with the NLDTF. Table 16 reflects NPO responses to statements on NLDTF funding practices.

TABLE 16 – *NPO responses to statements on perceptions of the funding practices of the NLDTF.*

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
NLDTF funding application guidelines are clear and easy to understand.	10.3%	58.8%	10.3%	17.6%	2.9%
NLDTF screening processes are timeous.	11.9%	7.5%	6.0%	26.9%	47.8%
NLDTF responds to queries timeously.	2.90%	16.2%	8.8%	38.2%	33.8%
Communication with NLDTF was easy to understand.	3.0%	10.4%	9.0%	41.8%	35.8%
The contract with NLDTF was easy to understand.	10.8%	52.3%	23.1%	6.2%	7.7%
The disbursement of funds from NLDTF was timeous.	6.3%	25.0%	20.3%	28.1%	20.3%
The administration process at NLDTF were effective.	1.60%	19.0%	19.0%	34.9%	25.4%
Narrative reporting to NLDTF was easy.	11.1%	55.6%	23.8%	4.8%	4.8%
Financial reporting to NLDTF was easy.	12.5%	50.0%	23.4%	9.4%	4.7%
Feedback from NLDTF on our reports was thorough.	0.0%	12.3%	27.7%	24.6%	35.4%

Of interest is the result that only 12% of NPOs answered yes to the question of whether they had applied to the National Development Agency for funding. This could indicate one of two things -either that the NPO sector has little faith in the NDA as a funder, or that most of the NPOs responding to this study have not felt that they qualify for funding from the NDA. This was probably as was noted in the literature, due to the the NDA narrowing its focus and closely aligning its focus with government's poverty alleviation strategies. The focus then fell on projects that created employment and income generating opportunities (Benjamin-Liebert & Liebert, 2011:81). As a result many NPOs for which the NDA was set up to support, fell outside of the NDA criteria for funding. Smit (2005:357) indicated that 91% of organisations were unhappy with the manner in which the NDA distributed its funds. Of the NPOs that applied to the NDA for funding, 27% applied in 2008, 27% applied in 2011, 9% in 2012 and 36% in 2011. It was interesting that none of the NPOs that responded had applied during the years 2009 and 2010.

NPOs reported that it took on average 9 months to get a response to their applications. This was a shorter average than the finding of the Benjamin-Liebert & Liebert (2011: 101) report that says that it took between 7 and 12 months before NPOs received a reference number for their applications. Of the organisations that were successful in applying for funding, 99% of the funds that were requested was awarded.

The majority of NPOs (58%) responded strongly agree and agree to the statement 'NDA application guidelines are clear and easy to understand'. Interestingly, 25% responded unsure to this statement, which means that the people who responded were probably not involved in the application process. On the whole a high percentage of NPOs responded unsure to all of the statements. To the statement 'NDA screening processes are timeous', 41.6% responded disagree and strongly disagree with 33.3% responding unsure. This correlates with the average of 9 months for receiving a response to

applications for funding. Although this would mean that the NDA was more efficient than the NLDTF, it was still a long time to wait before receiving a response to an application for funding, especially if there has been a request for proposals.

With 41.7% responding unsure to the statement 'communication with the NDA was easy', the majority (41.6%) responded strongly agree and agree. Similarly, a high percentage (50%) responded unsure to the statement 'the NDA responds to queries timeously'. Similar to experiences with the NLDTF and other government departments, the NDA was not known for performing well in the area of communication. This was confirmed by the Benjamin-Liebert & Liebert (2011:121) study that says that NPOs for the most part experience obstacles accessing information. There was a balance in the responses to the statement 'the contract with the NDA was easy to understand' with 33% responding agree and 33% responding disagree.

The majority of NPOs (41.6%) responded agree and strongly agree to the statement 'the disbursement of grants from the NDA was timeous' with 25% responding unsure. According to the Benjamin-Liebert & Liebert (2011: 113) study, 71% of NPOs received their first disbursement of funds within six months of the decision being made to fund the organisation. The contracting process can take time especially if there was the need to negotiate around terms of the contract. Even so six months was a long time for NPOs that are struggling to secure funds to wait for money in order to implement programmes and retain the staff needed for projects.

Of the respondents to the survey, 41.6% responded agree and strongly agree to the statement 'the disbursement of grants from the NDA was timeous'. In contrast to this, 50% responded unsure to the statement 'the administration processes at the NDA were effective' and 25% responded strongly disagree to this statement. It was unusual that a funder with poor administrative processes pays

grants timeously. The high unsure responses could be because 23.3% of the applicants to the NDA were unsuccessful in their application. They would therefore not have had the experience of the administration processes at the NDA. The reason for the the rest of the unsure responses could be because 27% applied in 2008 and the staff who responded to the research were not the staff that dealt with the grant.

To the statement 'narrative reporting to the NDA was easy' the responses were in the minority (33.3%) strongly agree and agree with the majority (41.7%) responding disagree and strongly disagree. This was different to the responses to the same question in the sections on the provincial and national government and the NLDTF, where the majority responded agree and strongly agree. The majority (41.6%), however, responded strongly agree and agree to the statement 'financial reporting to the NDA was easy'. The difficulty experienced with the NDA narrative reporting could be related to the Logical Framework Approach required by the NDA as referred to in the literature (FPA 2011:9). This was a technical format that was largely used by European based funders and can be experienced especially by small NPOs as difficult or complex. This was confirmed by Benjamin-Liebert & Liebert (2011:108), who found that smaller under-resourced community based organisations found the application processes, (ie the log-frame format etc) difficult.

The majority, (41.7%) responded unsure, with 33.3% responding disagree and strongly disagree to the statement 'feedback from the NDA on our reports was thorough'. With the research showing that it was perceived by NPOs that the NDA administrative processes are ineffective, it ties in that feedback on reports was either poor or did not make an impact on the organisation. Table 17 reflects NPO responses to statements on the funding practices of the NDA.

TABLE 17 – NPO responses to statements on perceptions of funding practices of the NDA.

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
NDA funding application guidelines are clear and easy to understand.	8.3%	50.0%	25.0%	8.3%	8.3%
NDA screening processes are timeous.	8.3%	16.7%	33.3%	33.3%	8.3%
NDA responds to queries timeously.	8.30%	33.3%	41.7%	16.7%	0.0%
Communication with NDA was easy to understand.	8.3%	8.3%	50.0%	25.0%	8.3%
The contract with NDA was easy to understand.	8.3%	33.3%	25.0%	33.3%	0.0%
The disbursement of funds from NDA was timeous.	8.3%	33.3%	25.0%	8.3%	25.0%
The administration process at NDA were effective.	0.00%	16.7%	50.0%	8.3%	25.0%
Narrative reporting to NDA was easy.	8.3%	25.0%	25.0%	25.0%	16.7%
Financial reporting to NDA was easy.	8.3%	33.3%	25.0%	16.7%	16.7%
Feedback from NDA on our reports was thorough.	8.3%	16.7%	41.7%	8.3%	25.0%

5.7 NPO Perceptions of Corporate Funding Practices

Considering the response from NPOs that the highest area of increased funding was from corporates, it was unsurprising that 84% of NPOs have applied to corporates for funding. The survey did not explore in depth the amount or time frames of applications to corporates. The reason being that corporates are diverse and unlike government or agencies like the NDA and NLDTF, are not governed by one set of laws or principles in terms of the funding of the NPO sector. This would be a study in itself. The survey for purposes of comparison did ask respondents to share their overall perception of the corporate sector as a funder, using the same statements that were used when analysing the practices of government departments and agencies.

Similar to the responses to the statement for government departments the majority (64.3%) of NPOs responded strongly agree and agree to 'South African corporates application guidelines are clear and easy to understand'. The majority, (53.6%) responded strongly agree and agree to the statement 'South African corporates screening processes are timeous'. Although this was a small majority, it was an improvement on the responses to the same statement for most government departments.

There was a fairly equal balance in responses (42.9%) strongly agree and agree, and (39.2%) disagree and strongly disagree with 17.9% responding unsure to the statement 'communication with South African corporates has been easy'. Similarly there was a balance in response to the statements 'South African corporates respond to queries timeously.' On the whole NPOs have had negative experiences with government departments and agencies, so the balance was an indication that it was the situation was better when dealing with corporates. Corporates often use their social responsibility as a way to market their businesses and so should take greater care when communicating with NPOs, which although asking for money, are still consumers and members of the public.

Of the respondents (61.9%) responded strongly agree and agree to the statement 'South African corporates use contracts that are easy to understand'. To the statement 'the disbursement of grants from South African corporates was timeous' the majority (64.2%) responded strongly agree and agree with 20.2% responding unsure. A small majority (53.6%) responded strongly agree and agree to the statement 'South African Corporates administration processes are effective'. From these results it can be deduced that NPOs find the grantmaking element of dealing with South African corporates as more effective than when dealing with government departments and agencies. This was encouraging especially if the corporate sector was playing an increasingly important role as a funder of the NPO sector.

A high percentage of NPOs responded strongly agree and agree to the statements 'narrative reporting to South African corporates was easy' (67.8%) and 'financial reporting to South African corporates was easy' (66.2%) with 22.9% and 34.6% responding unsure respectively. An explanation for the unsure responses could be that some NPOs had not received funding yet or ever received funding from the corporate sector. It could also be because some of the respondents have

been in the NPO for short period of time. With a small majority of NPOs (34.6%) responding unsure to the statement 'feedback from South African corporates on our reports was thorough', there was a balance in the responses agree and disagree (27.2%). This could be an area for improvement with corporates especially if the CSI was invested in the outcome of the project they are funding. The business of NPOs and corporates is vastly different making it difficult for corporate staff without a development background it may be difficult to comment on the reports received from NPOs. To the statement 'South African corporates only fund organisations that are BEE compliant', the majority (41.7%) responded strongly agree and agree with 38.1% responding unsure. The unsure response probably indicates that these NPOs are not funded by corporates. Table 18 reflects NPO responses to statements on the funding practices of South African Corporates.

TABLE 18- *NPO responses to statements on the funding practices of South African corporates.*

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
Corporate funding application guidelines are clear and easy to understand.	6.0%	58.3%	11.9%	21.4%	2.4%
Corporate screening processes are timeous.	15.5%	38.1%	16.7%	28.6%	1.2%
Corporates responds to queries timeously.	4.80%	38.1%	17.9%	32.1%	7.1%
Communication with Corporates is easy to understand.	4.8%	33.7%	18.1%	36.1%	7.2%
The contract with Corporates are easy to understand.	4.8%	57.1%	22.6%	13.1%	2.4%
The disbursement of funds from Corporates was timeous.	7.1%	57.1%	20.2%	9.5%	6.0%
The administration process at Corporates were effective.	6.00%	47.6%	32.1%	7.1%	7.1%
Narrative reporting to Corporates was easy.	7.1%	60.7%	21.4%	8.3%	2.4%
Financial reporting to Corporates was easy.	7.2%	59.0%	22.9%	8.4%	2.4%
Feedback from Corporates on our reports was thorough.	3.7%	27.2%	34.6%	27.2%	7.4%
South African corporates only fund organisations that are BEE compliant	11.9%	29.8%	38.1%	16.7%	3.6%

5.8 Perceptions and Experiences of Funding Practices

NPOs were asked to respond to statements about funding practices and how they relate to funders. Interestingly 27% of NPOs responded agree and strongly agree to the statement 'our organisation has been approached by a funder/funders and asked to change the focus of our work'. If NPOs are to maintain their independence they should never have to change the focus of their work in order to secure funding.

In response to the statement 'our organisation would be willing to change our focus if it meant increasing our income from funders' the majority (40%) responded disagree with 12% responding unsure and 35% strongly disagree. The literature indicates that there was an increasing trend towards donors setting the agenda (FPA, 2012:6).

To the statement 'finding new funders was challenging because of the focus of our organisation', 16% responded strongly agree and 38% agree. Of concern, is the possibility that donors follow trends and NPOs lose funding to the latest trend. Some 52% of NPOs responded disagree to the statement 'understanding funders criteria was challenging for our organisation'. This was both positive for NPOs and funders. It indicates that funders make their criteria clear to NPOs and also that NPOs have the skill and capacity to understand criteria and not waste time applying unnecessarily to funders that will not fund the organisation.

A staggering 72% of NPOs responded agree and strongly agree to the statement 'initiating contact with new funders was challenging'. To the following statement 'building relationships with new funders was challenging', NPOs responded (18%) strongly agree and (49%) agree. Building relationships was key to successful funding partnerships and it was interesting that initiating relationships and building relationships was such a challenging area for NPOs.

The requirements of funding proposals differ from funder to funder and yet the majority of NPOs (51%) responded disagree and strongly disagree to the statement 'writing funding proposals was challenging. Similarly the requirements of funder reports differs from funder to funder depending on the purpose of the report. A high percentage of NPOs responded (29%) strongly agree and (55%) agree to the statement 'our organisation copes well with funder reports' and again a high percentage responded (32%) strongly agree and (55%) agree to the statement 'our organisation manages to meet all funder deadlines'.

Considering the importance of good governance and financial management for the sustainability of NPOs it was encouraging that NPOs responded (53%) strongly agree and (42%) agree to the statement 'our organisation has good financial management systems in place'. NPOs that are registered with the Department of Social Development must be audited annually, which ensures that organisations adhere to internationally recognised financial management principles.

Interestingly a large majority of NPOs responded (35%) strongly agree and (45%) agree to the statement 'our organisation has had positive experiences of exiting relationships with donors'. Endings are often traumatic and it takes a high level of maturity and skill to end a relationship positively, especially when it involves money.

According to the literature there was an obsession with impact and indicators (FPA, 2012:8). From the responses to the statement 'our organisation has monitoring and evaluation processes in place', (33% strongly agree and 49% agree) it can be deduced that NPOs have responded to this trend and have the necessary monitoring and evaluation processes in place. Table 19 reflects the responses of NPOs to statements around the elements of funding and funding practices.

TABLE 19 - NPO responses to statements about elements of funding practices.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
	%	%	%	%	%
Our organisation has been approached by funder/funders and asked to change the focus of our work.	6.0%	21.0%	6.0%	6.0%	43.0%
Our organisation would be willing to change our focus if it meant increasing our income from funders.	5.0%	8.0%	12.0%	12.0%	40.0%
Finding new funders is challenging because of the focus of our organisation.	16.00%	38.0%	12.0%	12.0%	29.0%
Understanding funders criteria is challenging for our organisation.	4.0%	30.0%	7.0%	7.0%	52.0%
Initiating contact with new funders is challenging.	23.0%	49.0%	10.0%	10.0%	17.0%
Building relationships with new funders is challenging.	18.0%	49.0%	10.0%	10.0%	21.0%
Writing funding proposals is challenging.	11.00%	30.0%	8.0%	8.0%	46.0%
Our organisation copes well with funder reports.	29.0%	55.0%	8.0%	8.0%	5.0%
Our organisations manages to meet all funder deadlines.	32.0%	55.0%	4.0%	4.0%	6.0%
Our organisation has good financial management systems in place.	53.0%	42.0%	4.0%	4.0%	0.0%
Our organisation has had positive experiences of exiting relationships with donors.	35.0%	45.0%	12.0%	12.0%	6.0%
Our organisation has monitoring and evaluation processes in place.	33.0%	49.0%	7.0%	7.0%	9.0%

5.9 NPOs Perceptions and Experiences of Governance in their Organisations

The results on governance were interesting with an overwhelming majority of respondents choosing (46.0%) agree and (36.0%) strongly agree in response to the statement 'our board has a good understanding of its fiduciary responsibilities'. Similarly, a high majority responded (39%) agree and (49%) strongly agree to the statement 'our board regularly reviews our financial situation'. One of the key roles of the board in acting out its fiduciary responsibilities was to review the financial situation regularly. In the literature Gastrow (2012) indicted that the headlines about closures and retrenchment in the NPO sector, indicated a key issue with good governance and that this concern is shared with funders.

To the statement 'our board was well prepared for board meetings', 70%, responded agree and strongly agree with 17%, responding unsure. In order to participate and take fiduciary responsibilities seriously, board members have to be prepared for meetings. This also means that management must provide board members with the most important information in good time.

Considering the positive response to the statement on the board and their understanding of their fiduciary responsibilities, it was concerning that 50% responded strongly agree and agree to the statement 'our board takes decisive action when it comes to ensuring our organisation was well resourced'. The 18% unsure response to this statement also indicates that either the board has not had to take decisive action and therefore the staff are unsure of what their response will be or the respondents to the survey are not exposed to the board at this level of decision making.

Despite the view that boards have a good understanding of their role in terms of the finances of the organisation the responses to the statements related to the boards involvement in fundraising indicates two possibilities- either that board members either feel it was not their responsibility and therefore leave it to the director and other staff, or they do not have the time or the capacity.

In response to the statement 'our board was involved in ensuring there are funds for the organisation' NPOs responded strongly agree (15%) and agree (33%) and to the statement 'our board regularly makes contact with new donors', the majority (61%) responded disagree and again to the statement 'our board regularly interacts with donor' the majority (59%) responded disagree. This indicates that there is a limited involvement of board members in the fundraising process. One of the important roles board members can play is linking organisations with potential funders or people who have links to funders.

Of concern were the NPOs responses to the statement on management and the support it gets from the board for its fundraising efforts. Only 40% responded agree and strongly agree collectively with 26% responding unsure. Although the majority of respondents were not overwhelmingly negative with only 34% responding disagree and strongly disagree collectively, there was an indication that there was a difference between expectation and reality. Fundraising can be one of the most overwhelming roles for the staff to play and without the support of the board the management can lose momentum and have limited direction in their fundraising efforts.

It was therefore not surprising that the majority of NPOs (50% disagree and 19% strongly disagree) responded negatively to the statement 'we have a fundraising committee on our board'. The absence of a fundraising committee on the board of an NPO was an indication of the commitment of the board to fundraising. Boards cannot be involved in all aspects of governance, but since raising funds is a critical issue, it is necessary that some of the boards capacity is focused on this area.

In response to the statement 'our board has a good understanding of the Independent Code of Good Governance', 56% responded agree and strongly agree collectively. This was encouraging because the Code has only been in existence since 2012. Fewer NPOs responded strongly agree (12%) and agree (24%) to the statement 'our board and management signed the commitment and undertaking to comply to the Independent Code of Good Governance'. This means that 20% of the organisations with a good understanding of the Code have decided not to or have not yet decided to sign the Code. It would be interesting to know what the reasons have been behind not signing the Code.

Interestingly a reduced percentage of NPOs (42%) responded agree and strongly agree to the statement 'our board and management has a good understanding of the King III Code of Good Governance'. According to the literature King III decreed that it applied to all entities including civil

society organisation and that they had to apply or explain all 75 principles outlined in King III if they wanted audited financial statements. It was therefore interesting that the majority of NPO boards do not have a good understanding of King III and therefore can not implement it. There was a correlation in percentages between the organisations that have applied the Independent Code and King III. Of the NPO respondents, 39% responded agree and strongly agree collectively to the statement 'our board and management has taken the decision to adhere to the King III Code of Governance'. The same percentage as with the Independent Code responded unsure to this statement. Table 20 refers to the responses to statements relating to governance and board duties.

TABLE 20- *NPO responses to statements relating to governance and board duties.*

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
Our board has a good understanding of its fiduciary responsibilities.	36.0%	46.0%	10.0%	4.0%	4.0%
Our board is involved in ensuring there are funds for the organisation.	15.0%	33.0%	13.0%	31.0%	8.0%
Our board regularly makes contacts with new donors.	0.0%	33.0%	13.0%	31.0%	8.0%
Our board regularly interacts with donors.	0.0%	15.0%	9.0%	59.0%	17.0%
Our board regularly reviews our financial situation.	39.0%	49.0%	6.0%	4.0%	2.0%
Our management feel supported by the board in their fundraising efforts.	11.0%	29.0%	26.0%	25.0%	9.0%
Our board is well prepared for board meetings.	22.0%	48.0%	17.0%	9.0%	4.0%
We have a fundraising sub-committee on our board.	5.0%	17.0%	9.0%	50.0%	19.0%
Our board takes decisive action when it comes to ensuring our organisation is well resourced.	11.00%	39.0%	18.0%	21.0%	11.0%
Our board has a good understanding of The Independent Code of Good Governance.	18.0%	38.0%	28.0%	11.0%	5.0%
Our board and management has signed the commitment and undertaking to comply to the Independent Code of Good Governance.	12.0%	24.0%	24.0%	29.0%	11.0%
Our board and management has a good understanding of the King III Code of Good Governance.	12.0%	30.0%	32.0%	21.0%	5.0%
Our board and management has taken the decision to adhere to the King III Code of Governance.	12.0%	27.0%	32.0%	21.0%	8.0%
Our board has had training in governance.	10.0%	41.0%	17.0%	24.0%	8.0%

Although a majority, only 51% responded strongly agree (10%) and agree (41%) to the statement 'our board has had training in governance'. A concerning 17% responded unsure to this statement. This could either be a reflection of the time the respondent has spent in the organisation or the position held by the person responding. Not enough NPOs invest in training their boards and this was a concern as it was an enormous responsibility to take on the role of a board member. Without any training, board members may interfere in the operations of organisations or may keep too distant from the organisation to be able to intervene when action was needed.

5.10 Perceptions of Current Situations in NPOs with Regard to Financial Sustainability

Statements concerning the current situation in the organisation generated some interesting results. A large majority 54% strongly agree and 40% agree to the statement 'demand for the organisation's services has increased in the past five years'. It was indicated in the literature that as result of the economic crisis there are more vulnerable people, greater poverty and unemployment, and as a result increased demand for the services of NPOs. Interestingly, 13% responded strongly agree and 45% agree to the statement our organisation has continued to deliver services at the same capacity in the past five years' with 9% responding unsure. Considering increased demand for services and reduced available funding, it was admirable that NPOs have to this extent been able to continue to deliver services at the same capacity. This was supported by the response to the statement 'our organisation has been more creative about how we deliver our services over the past five years' 36% strongly agree and 57% agree.

The above links in to the statement 'our organisation has changed its programmes over the past five years' where NPOs responded 23% strongly agree and 56% agree. The majority of organisations have been more creative and have changed their programmes in order to meet the increased demand in society for the services of NPOs. Less than half (45%) of NPOs responded strongly agree and

agree with 17% responding unsure to the statement 'our organisation's current financial situation is healthy'. It was not surprising considering the financial situation in the world that it was a small majority of NPOs that define their financial situation as healthy. Considering the increased demand for the services of NPOs this was also a concern and should be of concern to society as a whole.

An impartial response was received to the statement 'the staff of the organisation are pleased with the current situation in the organisation' with 45% responding agree and 8% strongly agree and 20% unsure. This indicates the reality that a significant number of staff in the NPO sector are unhappy with the situation in their organisations. The reasons for this dissatisfaction could include the increased demand for services, changing programmes, reduced staff, the need for greater creativity and the financial situations in organisations.

In contrast to the perception of the situation for the staff in organisations a vast majority 27% (strongly agree) and 62% (agree) to the statement 'the beneficiaries of the organisation are pleased with the services being delivered by the organisation'. Again, this was a self evaluation question and most NPOs would not exist if their beneficiaries were unhappy with the services offered. Without independent evaluations it would be difficult to know whether the beneficiaries are pleased. It was positive that staff perceive their beneficiaries to be pleased and if there are evaluation mechanisms in place this information should be accurate.

The majority of NPOs responded strongly agree (23%) and agree (56%) to the statement 'the leadership of our organisation has had relevant management training'. NPO staff are often trained community workers, social workers, lawyers etc, but unlike in the business sector the perception was that few staff who rise to management levels have training in the business of running an organisation. At management levels, especially with the budgets being overseen and the the size of

staff of some organisations, it was critical that management staff have had the relevant training. The complexity of running an NPO was that in addition to understanding the politics of serving beneficiary communities, it was necessary that leadership understands how to run an organisation.

Similarly the majority of NPOs responded (20%) strongly agree and (56%) agree that the staff involved in fundraising has had adequate training in fundraising. It was encouraging that the perception exists that staff in NPOs are adequately trained. With fundraising being the lifeblood of ensuring the sustainability of an NPO, it was critical that staff are adequately trained.

Regarding the statement 'our organisation has adapted well to the current economic environment' a surprising majority responded strongly agree (11%) and agree (56%) with 16% responding unsure. Organisations may have adapted well to the economic situation but this does not necessarily mean they have more money. It does however mean that they have made the necessary changes to deal with the financial situation. A similar majority (8%) strongly agree and (60%) agree to the statement 'our organisation has adapted well to the current political environment'. The political environment changes constantly requiring a high level of skill to keep adjusting to different priorities.

Kihato (2002) in the literature, indicates that 'partnerships' are the new trend among funders. To the statement 'the number of partnerships we have with other organisations has increased over the past five years' NPOs responded (36%) strongly agree and (46%) agree. This strong majority indicates that NPOs are adapting to changes in the environment. A large majority also responded (49%) strongly agree and (47%) agree to the statement 'our organisation considers working in partnership with other organisations to be a valuable strategy'. This indicates that NPOs and donors also value partnerships. Table 21 depicts responses regarding the internal situation in NPOs.

TABLE -21 - NPO responses to statements relating to the internal situation in their organisations.

	Strongly agree	Agree	Unsure	Strongly Disagree
	%	%	%	%
Demand for the organisation's services has increased in the past five years.	54.0%	40.0%	3.0%	3.0%
Our organisation has continued to deliver services at the same capacity in the past five years.	13.0%	45.0%	9.0%	33.0%
Our organisation has been more creative in the past five years about how we deliver our services.	36.0%	57.0%	5.0%	2.0%
Our organisation has changed its programmes in the past five years.	23.0%	56.0%	5.0%	16.0%
Our organisation's current financial situation is healthy.	11.0%	34.0%	17.0%	38.0%
The staff of the organisation are pleased with the current financial situation in the organisation.	8.0%	45.0%	20.0%	27.0%
The beneficiaries of the organisation are pleased with the services being delivered by the organisation.	27.0%	62.0%	8.0%	3.0%
The leadership of our organisation has had relevant management training.	23.0%	56.0%	10.0%	11.0%
The staff involved in fundraising has adequate training in fundraising.	20.0%	42.0%	15.0%	23.0%
Our organisation has adapted well to the current economic environment.	11.0%	56.0%	16.0%	17.0%
Our organisation has adapted well to the current political environment.	8.0%	60.0%	24.0%	8.0%
The number of partnerships we have with other organisations has increased in the past five years.	36.0%	46.0%	9.0%	9.0%
Our organisation considers working in partnership with other organisations to be a valuable strategy.	49.0%	47.0%	3.0%	1.0%

5.11 Perceptions with regard to the future in terms of the financial sustainability of NPOs.

A significant majority of NPOs (87% strongly agree) to the statement 'the NPO sector is critical to the well being of society' and equally, the same majority responded that the NPO sector should be strengthened. From responses to the following statements the emphasis seems to be on the role of government and on the corporate sector in ensuring the sustainability of the NPO sector. Interestingly, a smaller majority responded that foreign funders and faith based organisations should play an important part in ensuring the financial sustainability of the NPO sector. Although there was

a smaller majority responding strongly agree and agree to these statements, it was still a majority. In contradiction though, a strong majority responded (23%) strongly agree and (41%) agree to the statement 'NPOs are too dependent on external sources for their financial sustainability'.

A large majority also responded (36%) strongly agree and 39% (agree) to the statement NPOs should rethink their sustainability strategies. This kind of rethink requires time and knowledge of what the alternatives are, and so it was contradictory when the majority of NPOs responded strongly agree (26%) and agree (39%) to the statement 'NPOs should not have to spend as much effort as they do on ensuring their financial sustainability'. Time was what was needed in order to do a rethink but time was often what was lacking in terms of finding alternatives to ensuring the sustainability of the sector. With increased demand for services, a small increase in income and a high number of NPOs operating in deficit, there was little time to find alternatives.

Only 18.2% responded strongly agree and 19.2% agree with 33% responding unsure to the statement 'South African laws and policies are a hindrance to ensuring the financial sustainability of the NPO sector'. An even smaller number responded (11%) strongly agree and (17%) agree to the statement 'the political situation is the greatest hindrance to the financial sustainability of the NPO sector'. Again 34% responded unsure, which indicates that issues of politics are not in the forefront of thinking for many NPOs. Only 2% of organisations responded strongly agree to the statement 'our organisation's financial sustainability was guaranteed for life with 10% responding unsure and 33% disagree and 54% strongly disagree. Similarly Smit (2005:353) in the literature found that 68% of NPOs answered “no” when asked whether the organisation's future was secure. Smit (2005: 353) also found that 89% of organisations felt that their further growth was constrained by a lack of funds. Table 22 reflects the percentage of responses to perceptions of possible strategies to strengthen the sector.

TABLE 22 - NPO responses to perceptions of strategies to strengthen the sector in the future.

	Strongly agree	Agree	Unsure	Disagree	Strongly Disagree
	%	%	%	%	%
The NPO sector is critical to the well being of society.	87.0%	11.0%	2.0%	0.0%	0.0%
The NPO sector should be strengthened.	87.0%	11.0%	2.0%	0.0%	0.0%
The government should play an important role in ensuring the financial sustainability of the non-profit sector.	49.0%	35.0%	13.0%	3.0%	0.0%
The corporate sector should play an important role in ensuring the financial sustainability of the non-profit sector.	54.5%	43.4%	2.0%	0.0%	0.0%
Foreign funders should play an important role in ensuring the financial sustainability of the non-profit sector.	29.3%	37.4%	24.2%	9.1%	0.0%
Faith based organisations should play an important role in ensuring the financial sustainability of the non-profit sector.	29.3%	41.4%	19.2%	11.1%	0.0%
NPOs in South Africa are too dependent on external sources for their financial sustainability.	29.3%	41.4%	19.2%	11.1%	0.0%
NPOs in South Africa should rethink their sustainability strategies.	30.30%	54.5%	13.1%	2.0%	0.0%
NPOs should not have to spend as much effort as they do on ensuring their financial sustainability.	26.3%	39.4%	9.1%	17.2%	8.1%
South African laws and policies are a hindrance to ensuring the financial sustainability of the non-profit sector.	18.2%	19.2%	33.3%	26.3%	3.0%
The political situation is the greatest hindrance to the financial sustainability of the NPO sector.	11.0%	17.2%	37.4%	29.3%	5.1%
Our organisation's financial sustainability is guaranteed for life.	2.0%	0.0%	10.1%	33.3%	54.5%

5.12 Respondents recommendations for the future

NPOs were asked to make recommendations on what should be done to strengthen the financial sustainability of the sector. The following was a discussion of some of the findings. There was a strong sentiment that NPOs should either merge, close down, or find ways to work together and implement programmes and fundraise together. It was felt that greater cohesion was necessary and that partnerships are an important aspect of financial sustainability. With literature indicating that there are between 80,000 and 100,000 NPOs in the country, there will be a high level of competition

for resources. A few respondents referred to the need to have better planning in place in terms of financial sustainability before people can start NPOs. This implies frustration with start-up NPOs that have not thought through their long term sustainability. A few NPOs reflected the need for skills development at a leadership level and in terms of fundraising. There were a number of NPOs that referred to the need to professionalise and be more efficient. This ties in with an apparent frustration with the number of start-ups that are competing with stronger NPOs for funding. The following are some of the statements that were made:

“Find ways to cooperate and share resources. Find ways to raise funds jointly.”

“Less organisations, more focus, clearer outcomes.”

“NPOs should close down or merge so that the whole sector becomes more effective and efficient.”

“Greater cohesion is necessary. Identify and partner with organisations that have required skills and competencies to enhance and add value to their respective work”

“Improve skills for financial sustainability, media liaison and marketing, which are essential to ensure NPO sustainability”

“Be more professional and look at efficiencies.”

With regard to the changes that should be made by government, there was a strong view that government has an important role to play in supporting the NPO sector. Some felt that operational budgets should be funded by government and other wanted project funding and capacity building to be funded. There was a strong sentiment that government should treat NPOs as partners and reward NPOs financially for this partnership. Some NPOs expressed frustration with costs not being covered and the need for government to pay properly and timeously for what was agreed to. This ties in with the reference in the literature to court cases relating to the way in which government funds NPOs. One NPO referred to the government's treatment of NPOs as cheap labour. A few NPOs referred to the NDA and the NLDTF and the need to improve their impact on NPOs. A number of respondents referred to the need for better funding of social work posts by government.

There were also a few references made to the need for a review of the tax legislation.

The following are a few of the statements that were made in the survey:

“Government should play a bigger role in funding NPOs”

“Government should pay for services that are provided on its behalf”

“Operating budgets should be mostly government funded”

“Government should treat us as partners rather than as if they are doing us a favour to fund us-we are doing their work-without us there wont be enough interventions for communities.”

“Each government department should have a set aside budget to fund NPOs in their specific areas of operation in terms of capacity building.”

“Government needs to adopt a more supportive and collaborative approach to the NPO sector, better recognise the value they bring and find ways to fund and procure them using different mechanisms to the private sector service providers.”

“Government should finance programmes at least by 90%. Social Work salaries and others should be treated equally to government employees.”

“Government departments should take more responsibility in the well-being and needs of its constituents. Too much is left to NPOs without much support and infrastructure.”

“Relook at SARS policy around donations and tax deductions.”

With regard to corporates, NPOs expressed the need for greater support from the business sector and that somehow the statutes or government should make this happen. Some NPOs expressed the view that there should be greater interaction with donors and CSI practitioners and that there should

be more discussion around development issues by different stakeholders. It was also felt that the South African corporate sector should become more involved in the NPO sector and be educated on the value of the sector in terms of maintaining and strengthening democracy. The following are some of the statements that were made in response to the survey.

“There should be mandatory contributions towards the development sector and mandatory involvement of the supply chain network in primary corporate CSI endeavours - greater training opportunities for NPO employees, particularly in rural settings”

“Corporates should give their grantmaking to strong NPOs in their region to execute and to other service providers to roll out the work.”

In terms of strengthening philanthropy in the country, the view was expressed that there should be greater advocacy around the role of NPOs in the country and its important value in terms of delivering services to the poor and vulnerable and supporting democracy. This sentiment seemed to be directed at all sectors ie the government, corporates and at NPOs themselves.

5.13 Conclusion

This chapter covered a detailed report of the findings of the research study as well as discussed the meanings and implications of these findings in relation to the current situation with regards to the sustainability of the NPO sector in South Africa. This research has revealed some interesting results, which could be of benefit to the NPO sector in south Africa. As a result of the structure of the questionnaire it was possible to compare the results between some of the important government funders in South Africa and the corporate sector, which plays a very important role in the funding of the NPO sector. These findings will be of interest to the sector especially because the sector was so reliant on government and corporates for funding.

In the presentation and discussion of findings, results from prior research has been integrated and discussed in relation to its relevance to this study. These findings either confirmed previous conclusions, or to a lesser extent, contradicted previous findings. With the economic situation changing, the results in terms of funding are also changing.

These findings will be of value in terms of contributing to new and meaningful knowledge for the NPO sector as a whole. It was the intention that this study will contribute to a better understanding of the factors that were affecting the funding of non-profits in South Africa. Through an improved

understanding of the current situation, NPOs should be able to improve their funding strategies and ensure the sustainability of an important sector in South Africa. Some of the results may surprise the sector and others will confirm perspectives that already exist.

The following chapter will cover a range of conclusions and recommendations based on the findings of this research study.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The findings from this research should be of value both to the NPO sector and to funders that support the sector. As a result of the research a number of important conclusions have been derived, which should be of use to people working in the sector. The conclusions will be presented thematically according to the main research objectives. These recommendations are made based on the researcher's interpretation of the data as well as the researcher's insights gained from the literature review and from many years of experience in the field of funding for NPOs.

6.2 Organisational Information of the NPO Sector in South Africa

Most of the respondents were located in Cape Town and most work in the Western Cape. The average age of NPOs was 22.8 years, which is a fairly mature age for an NPO in South Africa, especially if you take into account the important changes that took place 20 years ago with the election of a democratic government and the demise of apartheid. This does show that despite there being a democratically elected government, the need for NPOs in the country grew and/or changed. Organisations that existed before 1994 may have closed down as the situation in the country changed with new organisations starting up. The literature indicates that there was a change in the development of the NPO sector post 1994 (Habib, 2004 & Kihato, 2001)

Also of interest was the finding that in fact the majority of organisations were set up after 2000. This indicates a vibrant civil society post apartheid. Considering that in recent years the number of registered NPOs has risen to between 80,000 and 100,000, the NPO sector was growing (Stuart 2013). This adds to competition for resources and puts a burden on existing NPOs and on donors. It

was also an indication of the need for the sector in society. An important recommendation for the sector was that NPOs work together to avoid fragmentation and reduce the pressure on donors who have to deal with the increasing demand for funding.

A result which should be of concern to the sector was the finding that the majority of respondents, most of which occupy senior positions in organisations, have less than 10 years service with most having less than three years service. The number of years of service in an organisation contributes to an understanding of the organisation. Reasonable turnover of senior staff can be useful in terms of keeping an organisation fresh and responsive to a changing environment. High turnover contributes to a loss of institutional knowledge. This indicates one of two things – either there is a dissatisfaction among leadership in NPOs with the conditions of running organisations or it could be a reflection of the levels of stress experienced by senior staff members. It is recommended that NPOs explore motivational issues for staff and ways to ensure that turnover of staff, especially at a senior level, reduces.

The majority of NPOs that responded to the survey are in the education sector followed closely by the community development sector. The number of NPOs operating in the education sector may be a reflection of where the need is greatest in South Africa. It is however a concern because education is an issue that should be addressed by government. The fact that there was a such a high need to enhance the education sector reflects that government falls short of reaching an important mandate.

Encouraging to note was the significant number of NPOs that are registered as NPOs under the Non Profit Organisations Act (No 71 of 1997), and just over half are registered as Public Benefit Organisations under the Income Tax Act (No 58 of 1962). The benefits attached to being registered in this regard are substantial. This is reiterated in the literature (Wyngaard 2011). It is therefore

recommended that NPOs become registered so that they can take advantage of the benefits and incentivise new and existing donors who will be able to claim tax back on their contributions, as well as the benefit for NPOs of being exempt from income tax.

The average permanent staff size of the NPOs that responded to the study was 24, although the majority of NPOs have 10 or less staff. The NPO sector makes a significant contribution to the workforce in the country. On average the results show that NPOs employ 7 part-time staff and 32 volunteers. Part-time positions although not the most secure form of employment, also create employment for students and people with other responsibilities such as parents. Voluntarism is a good opportunity for people to develop skills and to be involved in community issues and contribute to making a change to an issue that is close to a person's heart. It is recommended that NPOs pay close attention to their volunteer programmes and the value they add to organisations. Volunteers can bring much needed capacity and depending on their experience in the sector, skills that would usually cost the organisation.

6.3 Perceptions with Regard to the Financial Situation for NPOs

It was interesting and concerning to note in both the information given as part of the survey and in the analysis of the financial reports that a high percentage of organisations had operated with a deficit in the past two years. Although the percentages differed between the primary and secondary data, both confirmed that a high percentage of organisations are having to operate in deficit at this time. Of the organisations that sent in their AFS, the percentage operating with a deficit reduced over two financial years by over 10 %. This was a positive outcome. It is therefore recommended that NPOs pay attention to their budgets and ensuring that they do not plan to run into deficit during the year. It is often challenging for NPOs to be sure of their income for a full year, but it is best to plan to spend money that is secured rather than spend reserves.

Despite the challenge of operating in deficit, and the many funding challenges currently being experienced, the sector could be considered a major economic force in South Africa. The research results found that the 100 respondents to the survey generated an income of over R1 billion rand in the past financial year. It was recommended that further research be conducted to understand the size and scope of the sector and to build a value proposition for the sector, which will help in advocating for greater support, especially from government.

Also of interest was the finding that the majority of funding still comes from the international community. This includes foreign foundations, international faith based organisations and ODA. In addition the results revealed that over a quarter of NPOs had experienced an increase in funding from foreign or international sources. This indicates that South Africa was still a region of interest for the international community and its contributions in terms of financial aid. This was probably due to the role of South Africa in the Southern Africa Development Community (SADC) and also the extreme differences between the rich and the poor. It is recommended that while NPOs should start moving away from dependence on foreign funding, they still consider foreign funders as major contributors to the NPO sector and continue to explore this area as one of expanding support.

Interestingly, despite the number of organisations that have operated with a deficit, an analysis of the organisations that submitted financial reports shows that overall income has increased by 3% in the last two financial years. Taking into consideration CPIX averaging out at 5% in 2013, this means real decrease in income of around 2%. The results also show that there has been a higher increase in expenditure than in income. An important factor was the increased demand for services that also contributed to an increase in expenditure, especially in 2012. The research report shows that the majority of NPOs have reserves, which explains how organisations fund their deficits. It is therefore recommended that NPOs continue to build reserves for years when there are financial

crises. Funders should also take into account the need for NPOs to build up reserves in order to ensure services continue even when there was a slump in income. Plans for how reserves will be built up and under what circumstances they will be used, help to validate the existence of reserves to new and potential funders.

The majority of NPOs reported that they built up reserves through income-generating activities. This can be a taxing strategy for NPOs, which continue to offer services to the public, especially where they indicated increased demand for their services. It is recommended that this strategy be carefully considered and only explored when it is closely aligned with the purpose of the organisation. If not the organisation may find they experience 'mission drift' and the core purpose of the organisation will be overshadowed by the purpose of generating income.

Of interest was the finding that the majority of NPOs have experienced an increase in funding from corporates. This does not mean that the majority of income comes from corporates, but rather that it was an expanding area of funding. The second and third largest funders are national government and provincial government respectively, with local corporates being a small contributor to overall income. It is recommended that NPOs explore the expansion of the local corporate sector as an expanding source of funding. It is also recommended that further research be conducted to understand foreign donors as funders to the NPO sector and the longevity of this source of income.

The research revealed that NPOs had reduced their operational/administrative expenses in order to remedy reductions in income. Although this was possibly the easiest area to reduce costs it often places a high burden on the organisation and especially on senior staff. It is important that organisations find the balance between efficiency and overburdening often already burdened staff. This burden was increased with a high number of respondents saying that they did not fill staff

vacancies in order to reduce staff. With an increase in demand for organisation's services coupled with reduced staff and administrative costs, NPOs must be buckling under the pressure. It is recommended that NPOs balance the output of the organisation with the income of the organisation and find ways to put pressure on government to take over services that should be offered by government departments and rather focus on the areas where NPOs are filling a gap. There should be more of a focus on advocacy with the intention of getting government to deliver services to the poor rather than picking up the slack left by government inefficiencies.

Considering the number of NPOs that reduced their administration costs to remedy reduced income it was interesting to note that nearly 10% of NPOs allocate 40% or more to administration costs. Important to note was the finding that the majority of donors that made demands on NPOs to limit their administration costs, have asked NPOs to limit this allocation to between 10% and 20%. With NPOs offering vastly different services it is recommended that greater advocacy work be done with the donor sector to increase their flexibility around allocations to administration depending on the work of the NPO.

6.4 Perceptions of NPOs of the Situation with Regard to Fundraising for Organisations

A high percentage of NPOs find fundraising for their organisations difficult and find that the economic situation was a major contributor to this challenge. Lesser important challenges (although still significant) are the economic and political situation and government policies as referred to in the literature (Heywood, 2010 & Van der Westhuizen, 2013). A high percentage of NPOs find that competition for funding was an important factor affecting the success of fundraising. Financial constraints are a significant factor affecting fundraising and if administration costs are cut when income is reduced, so are the funds available for fundraising. NPOs must be careful when cutting funds for fundraising.

Building a relationship with a funder was found to be a very important aspect of fundraising. However, in order to build these relationships, capacity and skill was required as well as financial resources. This reinforces the recommendation that NPOs ensure they have adequate funds available for fundraising.

Of interest was the finding that the majority of NPOs find it difficult to raise funds for staff salaries and administrative costs and capital expenditure. This was also reflected in the Non Profit Job Losses and Service Cuts Report (2012) which found that there had been significant cuts in funding affecting the available resources for salaries. The majority of NPOs agree that it was easy to raise funds for the direct programme costs of their organisations. It is recommended that NPOs advocate that funders invest in the core costs of the NPO and that more NPOs have conversations with their funders about the importance of a need for an investment in the purpose of the organisation rather than a cost area.

When it comes to marketing organisations, the majority of NPOs seem to rely on modern technology and new media, including web sites, Facebook, Twitter and others. These tools are easy to use and accessible to the general public. They make information readily accessible and organisations can put up real time news flashes. This will keep the interest of funders and beneficiaries. It is recommended that NPOs pay attention to these tools and their constantly changing value in marketing organisations and sharing real time information.

Other valuable but often expensive and inaccessible methods in marketing such as television, radio and the print media are used less by NPOs. This was probably because it requires a high level of skill to get information shared in these formats without spending a lot of money. It is recommended that NPOs pay attention to their use of traditional media as it is still a valuable source of access to

the public and sharing a message. NPOs should build relationships with their local media and television. It is important though that the strategy is carefully thought through and the message remains balanced between the positive and the negative.

6.5 Perceptions of NPOs of the Situation with Regard to Government Funding

According to the study government funding including the NDA and Lotteries was a significant contributor to the funding of the NPO sector. This was also verified by the literature in Benjamin-Liebert and Liebert 2011. It is therefore important that the sector understands this source of income and in fact increases its access to government funding, thereby increasing the efficiency and effectiveness of government, creativity of responses and responsiveness to needs without overly politicising these initiatives.

The minority of NPO respondents have actually applied to national government for funding and of these a moderate percentage have actually received funding. The majority of these applications were submitted in the past two years with just over 80% of the funding requested being awarded. With regard to the funding process the majority of NPOs responded negatively to most of the statements. The area for which NPOs are responsible ie narrative and financial reporting was regarded positively, but again feedback on these reports was perceived negatively.

National government was an important role player in the funding of NPOs and for this reason it could be beneficial for the NPO sector to take the initiative and collectively engage with government. Each sector could engage with each department responsible for funding or nationally an advocacy group could engage with the President's office. It is especially important that NPOs engage with Treasury around ODA funding and how more of this can be secured for NPOs. It is therefore recommended that NPOs come together especially around the funding of the sector by government. The first point of call could also be the NPO Directorate, which could add voice to the

sector when talking to government. An advocacy group of this nature could also set up a 'customer satisfaction survey', for monitoring and giving feedback to government on their funding practice.

More NPOs responded that they had applied to provincial government for funding and a much higher percentage were successful in their applications with most funding coming from the Department of Social Development. Most of the applications were from Western Cape organisations, followed by Gauteng.

In response to statements about the perceptions of funding relationships with provincial government, the respondents appear to have a moderate perception of provincial government. Respondents were more positive when it came to the actual contracting and grantmaking relationship with provincial government. Most NPOs found reporting to government easy with government being rated poorly on the issue of feedback on reports. It is recommended that similarly with national government NPOs come together to hold discussions with provincial government departments that deal with their focus areas. NPOs must take the initiative and not wait for government road shows and consultative processes. These processes are usually led by government and do not get the results that are hoped for by NPOs. This was also referred to in the literature (Coalition on Civil Society Resource Mobilisation 2012: 45) with NPOs indicating that government consultations were not valuable with government consulting NPOs but rather using these processes to appease NPOs rather than adjust interventions.

A higher percentage of NPOs had applied to the NLDTF with increasing numbers applying in the latter years. As a result a decreasing number of NPOs were successful in their funding applications over the years, but it was still a higher number that were successful year on year than those that had applied to national and provincial government. Similar to the results when responding to statements

on funding practice, it was found that NPOs experienced the administration and funding practice of the NLDTF negatively. Similar results were reflected in the study conducted by Benjamin-Liebert & Liebert 2011 referred to in the literature. The application processes take over 12 months before NPOs get feedback on the applications. With the NLDTF being one of the biggest single donors in the country it was important that NPO sector engages with this agency around its funding practice. It was concerning that despite advocacy and research that has been conducted by the NPO sector this agency continues to perform poorly in terms of its funding practice. It is recommended that the NPO sector continue work together to advocate for changes in terms of the funding practices of the NLDTF.

Despite the NDA being set up as an agency to support and strengthen civil society in South Africa, it was interesting to see that a small percentage of respondents had ever applied to the NDA for funding. More NPOs had applied in latter years for funding and none had applied in 2009 and 2010. NPOS reported that it took less time than with the NLDTF to get a response to funding applications, but this was not necessarily a positive indication in terms of the NDAs funding practice because it receives far fewer applications.

The highest percentage of NPOs had applied to corporates for funding. This was not surprising considering that NPOs view corporate funders as an expanding area of income. According to the CSI Handbook 2012 there has been a consistent increase in corporate funding to NPOs in South Africa. NPOs rated corporates slightly more positively than government departments in terms of their funding practice. Despite this, government in reality was still a bigger financial contributor to the NPO sector. It is recommended that NPOs explore the opportunities in terms of corporate funding to ensure their sustainability and find ways to build strong relationships with corporates. Corporates are businesses and are not set up to be funders, which makes it more important for NPOs

to engage corporates around their funding practices.

It is recommended that there is greater engagement between NPOs and corporates to build an effective funding practice. The challenge is that unlike government, corporates are accountable to their shareholders rather than the public and other than the BEEE score card, there is little incentive to be 'effective' funders. Corporates who use the work they do in communities to market their businesses may have a greater interest in ensuring their funding practice is effective because they want to avoid their image being tarnished by a negative funding relationship. This can be a factor in driving corporates towards running their own programmes in communities rather than funding NPOs. This ensures that corporates have control over the project, but it does not necessarily mean that corporates run good programmes in communities. It is therefore important that NPOs build trust relationships with corporates.

6.6 Perceptions of NPOs of their Experiences in Terms of Funding Practices

From the responses to statements around changing focus areas it was evident that the majority of NPOs feel that they would not change their focus area in order to access funding and the minority of NPOs have been asked to change their focus areas. It is important that while NPOs are not rigid in terms of their responses to the needs of their beneficiaries, they do not change their focus just to suit a funder or secure funding. If they do they will lose credibility with their beneficiaries and may lose credibility in terms of other funders that support the organisation. It is recommended that NPOs continue to be clear about their focus areas and not change because of the trends that exist in grantmaking.

On the issue of finding new funders and building relationships with new funders NPOs responded negatively. These elements are time consuming and information on donors was not always that easy

to find, making it a difficult area for NPOs especially start ups and less sophisticated NPOs. NPOs must be encouraged however to work on building relationships with funders because it is an important element of fundraising. Good relationships with funders should result in longer term funding relationships. NPOs that are sending out written proposals and expecting positive results in fundraising, are likely to be disappointed, especially if there was no relationship with the funder. It is harder for donors to turn down organisations they have spent time with especially if they have seen the results of NPO programmes.

6.7 Perceptions of NPOs of the Governance of their Organisations.

Good governance is critical to building funder and beneficiary confidence in organisations. This is reiterated in the literature according to Inyathelo (2012). Interestingly a high majority of NPOs feel that their board members have a good understanding of their fiduciary responsibilities. This was surprising considering that a moderate percentage of NPOs said that their board has had governance training. The perception probably exists because the people that volunteer to be on boards already have the knowledge and skills to be board members. NPOs are however different to corporates and government and it requires an understanding of these differences to be an effective board member. Since this was a self evaluation question, organisations may be inclined to err to the positive. The reason for cynicism towards this outcome was because of the moderate response to the statement 'our board takes decisive action when it comes to ensuring our organisation was well resourced'. Ensuring there is money to manage is one of the most important roles of the leadership of an NPO. It is recommended that NPOs continue to invest in training their board members and to invest in having board members that understand their responsibilities.

On fundraising, boards of NPOs were rated less positively, with the majority of NPOs showing that their boards are not very involved in fundraising and that the management are supported by the board in fundraising. Fundraising is one of the most taxing responsibilities for management and if

board members are selected well they should not only bring skills but also influence and contacts. It is understood that as a voluntary, often thankless position in an organisation the role of the board members may end in the board room. However if board members are carefully recruited and orientated to their role in the organisation they should be able to be more supportive in fundraising.

Fundraising committees on boards also ensure that board members who want to be involved are able to participate in a committee so that it does not take the time of the whole board. It was only a few NPOs that responded positively to having a sub committee on their board. It is recommended that NPOs have clear board selection, recruitment and orientation processes making the expectations of board members clear. It is also recommended that organisations that want board involvement set up sub-committees for fundraising. This will mean that the whole board does not have to be called on when support is needed. Some sophisticated organisations may not want board members involved in fundraising, where others that are starting out or are less sophisticated will.

With governance being the key responsibility of the board, it was interesting to note that a moderate number of NPOs responded positively to their board having an understanding of the Independent Code of Good Governance and King III. If these are the two nationally recognised Codes it is important that board members have a good understanding of these documents in order to implement them. Even fewer organisations responded that they apply either of the Codes. It is therefore recommended that NPOs decide which Code they are going to adhere to and that they have information sessions for their boards on the chosen Code. It is recommended that NPOs become signatories to the Independent Code of Good Governance, which was set up specifically for the NPO sector.

6.8 Perceptions of the Current Situation in Organisations with regard to Sustainability

Considering the impact of the economic crisis on the poor and vulnerable in our country, it was not

surprising that a strong majority of NPOs responded positively to the statement 'demand for the organisation's services has increased in the past five years'. This was corroborated by similar findings in Gebresalassie & Smit (2013). However, despite the increased demand and decreased income, most NPOs responded that they have continued to deliver services to the same capacity of the past five years. This requires careful management and could result in burnout of staff and management.

Organisations have said that they have been more creative about how they deliver services and a high percentage have changed their programmes over the past five years. Despite the challenges it was positive to find that NPO respondents mostly perceive their beneficiaries to be pleased with the services of the organisation. Less NPOs felt that the staff are happy with the current situation in the organisation. This was not surprising, considering the increased pressure on staff to do more with less financial resources. It is recommended that NPO management and boards pay attention to the pressure experienced by staff in organisations and find mechanisms to support staff that are not costly. Working in the sector is often emotionally draining and can cause fatigue, stress and burnout of its most important resource, the people.

It was positive to note that NPOs perceive their management and fundraising staff to have had relevant training. This is an aspect to which organisations should continue to pay attention. Staff training helps staff to be able to cope better with the pressures of their positions. It is recommended that more funders support staff development in organisations. Not only are we developing an important resource in our country, being the people, staff development will contribute to more effective programmes in communities.

The majority of NPOs perceive their organisations to have adapted well to the economic and

political environment as reflected in Anheier (2009) & Heywood (2010) respectively. This was positive as flexible organisations are the ones that are more likely to survive times of stress and hardship. One of the adaptations has been the building of partnerships between organisations. This is a strategy which according to the literature is supported by the donor sector, which was struggling to cope with the burgeoning number of NPOs. It was also encouraging that NPOs find working in partnerships a valuable strategy. Partnerships can take time and it requires a high level of trust to work in partnerships but it also alleviates some of the burden and allows NPOs to draw on each other's strengths and also grow in understanding of each other's work. It is recommended that NPOs continue to develop these partnerships and that they are documented for sharing with other NPOs. Partnerships are complex and it can be hard to balance the positives with the challenges.

6.9 Perceptions of the Future for NPOs

The view that the NPO sector was critical to the well being of society was strongly held by the NPO sector as was the view that it should be strengthened. The emphasis in terms of perception falls on the role of government and the corporate sector in strengthening this sector rather than on the international community and faith based organisations. This was probably because of a move toward greater self-reliance and less dependence on the international community. NPOs have in recent years felt the vulnerability of being reliant on foreign aid and probably want to move away from this situation.

This ties in with the majority of NPOs responding that NPOs are too dependent on external sources for their financial sustainability. This indicates a move toward greater self-sustainability and independence. NPOs are vulnerable as a result of the high level of reliance on others, especially international aid. Tying in with this was the strong view that NPOs should rethink their sustainability strategies. This will take time and resources to do, which will be costly, especially when NPOs are operating in deficit. It is recommended that NPOs rethink their sustainability

strategies and look for ways to become more self reliant. It could be useful to explore international models, especially those of other developing countries.

Interestingly South African laws and policies as reflected in the literature (Cuthbert, 1992, Hendricks 2009, ICNL, 2012 & Wyngaard, 2011) were not seen as a hindrance to the financial sustainability of the NPO sector and an even smaller percentage felt that the political situation was not a hindrance to the financial sustainability of the NPO sector. It was good to see that NPOs are not blaming the political situation for the challenges being experienced in terms of the sustainability of their organisations.

A small minority of respondents agreed that their sustainability was guaranteed for life. In terms of the responses to the survey, it was interesting to note that most respondents are not secure in terms of their sustainability. It is recommended that NPOs explore their strategies to ensure sustainability, recognising however, that the need for ongoing fundraising is part of what ensures the creativity and innovation of NPOs, while also being a drain on financial and human resources.

6.10 Conclusion

In this chapter the main conclusions of the research were presented and recommendations were made to assist the NPO sector in dealing with issues of financial sustainability. From this and the previous chapter a strong value proposition can be made for the NPO sector as a major financial contributor to the South African economy as well as a significant employer. Interestingly despite reports of reduced foreign income in the literature (Kihato, 2001), NPOs still receive a majority of their income from foreign donors. This inflow of money into the country is a contribution that should not be underestimated. The most important value proposition is the contribution the NPO sector makes to the development of communities and to changing peoples lives.

The NPO sector is also a sector in which people of South Africa can volunteer and learn valuable skills while making a contribution to making South Africa a better place to live in. According to the report on the perceptions of the governance of the sector, it was well governed but there are important challenges when it comes to governance and financial sustainability. NPO boards are not very involved in fundraising for organisations leaving management and staff to ensure that these have sufficient financial resources.

There was an increasing demand for the services of the sector but in the current economic climate it was difficult for NPOs to manage this demand in terms of the financial implications. As a result a high number of NPOs have had to operate in deficit. This was decreasing and hopefully this will continue to decrease as NPOs employ strategies, as explored in this report, to manage their reduced income. Most NPOs with reduced income have taken some initiative to reduce their expenditure.

Quantitative data on the NPO sector was limited especially since the research conducted by Swilling & Russell (2002) was finalised nearly 12 years ago. Many changes have taken place over the last decade and this quantitative research has helped to generate new data on the financial sustainability of the sector. Hopefully this research will make an important contribution to understanding the sector and will provide insights into what was needed to ensure the sectors sustainability.

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APPENDICES

APPENDIX A: Preliminary Email

Dear NPO Director/ Board Member or Senior Manager

My name is Joanne Harding and I am conducting a study on the Current Influences on the Funding Situation for NPOs in South Africa.

Having worked for a number of years as the key person responsible for fundraising and as a funder, I became increasingly aware of the need for more current information on funding for the NPO sector in South Africa.

I am conducting this study to fulfil the requirements of my masters degree (by dissertation) in Social Planning and Administration at the University of Cape Town. A summary of the outcomes of this research will be shared with all NPOs which participate in the study.

The questionnaire should not take more than half an hour of your organisation's time. It should be completed by a senior manager familiar with the funding of the organisation. The questionnaire has been created in a user-friendly online format and is fun to use.

For a more detailed summary of the research aims and objectives and the benefits to your organisation, please email crtjoa001@myuct.ac.za.

I will email a link to the survey in a weeks time. If you were sent this email in error and you are not representing an NPO please let me know so that I remove you from my list of contacts.

Regards

Joanne Harding

0833033618

UCT student number: CRTJOA001

Supervisor Andre Smit: Associate Professor: Department of Social Development

APPENDIX B: Questionnaire

Welcome to the survey.

Thank you for participating in this research. Please read the following instructions carefully before continuing with the the questionnaire.

Please note in order to complete this questionnaire you must remain connected to the internet at all times.

In addition to the responses to the questionnaire the researcher requires first-hand financial data. For this the researcher requires a copy of your organisation's annual report and audited financial statements for 2012. The data will remain confidential and will be presented anonymously.

If you have an electronic copy of your audited financial statements or your annual report please send it to crtjoa001@myuct.org.za . Use the subject Financial statements for research. If you only have a hard copy please send it to

Joanne Harding
Postnet Suite 72
Private Bag X7
Muizenberg
7950

Should you wish to contact me at any stage please use either the email address above or you can phone me on 0833033618.

Filling in the questionnaire

This questionnaire consists of ten sections. Ideally it should be completed by the director or a senior manager concerned with the funding of the organisation. Please note some of the questions require estimates of certain values and figures. Please do not become frustrated if you do not have the precise data. Answer to the best of your ability.

Terminology

Please use the definitions supplied in the questionnaire as a reference for some of the terminology which is used.

Submitting the questionnaire

Please click submit at the end of the survey and it will be sent through to the researcher. Please note if you don't have time to complete the survey, you can save and return to the survey at a later date. Find and save and return at the top of each page.

Please note the questionnaire will remain open until 20 September 2013.

Thank you and enjoy filling in the questionnaire.

Kind regards
Joanne Harding
0833033618
UCT Student number CRTJOA001
Supervisor Associate Professor Andre Smit (Department of Social Development)

Section A: Organisational consent to participate in this research

This section seeks to gain organisational consent to participate in this survey and ensure that all participants are participating willingly and without any duress.

1) I am completing this questionnaire without any duress and am willing to participate in this study.

☐ Agree

☐ Unsure

☐ Do not agree

(2) I understand that the information that I provide will be kept confidential and will only be used to make generalisations.

☐ Understand

☐ Unsure

☐ Do not understand

Section B: Organisation Details

This section seeks to gather information about the organisation, its geographical location, area of service provision and staff capacity.

3) Name of the organisation

4) Web address of the organisation

5) In which year was your organisation founded?

6) In which city or town is your main office located?

7) In which Province does your organisation offer its services? (You may respond to more than one)

☐ Eastern Cape

☐ Free State

☐ Gauteng

☐ KwaZulu Natal

- ☐ Limpopo
- ☐ Mpumulanga
- ☐ Northern Cape
- ☐ North West
- ☐ Western Cape

8) Job Title of the Respondent.

9) No of years you have been in the current position.

10) In which sector does your organisation operate? You may select more than one.

- ☐ Welfare
- ☐ Sport
- ☐ Education
- ☐ Health
- ☐ Community Development
- ☐ Human Rights
- ☐ Arts and Culture
- ☐ Other

11) Indicate in terms of which legislation the organisation is registered (You may select more than one option)

- ☐ Non Profit Organisations Act 71 of 1997
- ☐ Income Tax Act 28 of 1997 (Public Benefit Organisation)
- ☐ Companies Act 71 of 2008
- ☐ Trust Property Control Act 57 of 1988
- ☐ Other

12) Indicate whether your organisation is one of the following?

☐ Voluntary Association

☐ Not for Profit Company

☐ Trust

☐ Other

13) Estimate the number of board members, full time staff , part time staff and volunteers in your organisation as at 1 July 2013.

Board members	
Full time staff	
Part time staff	
Volunteers	

Section C: Financial Information

This section seeks to determine your organisation's financial situation and factors that influence the income and expenditure of the organisation.

14) Please indicate the month of the financial year end for the organisation.

☐ January

☐ February

☐ March

☐ April

☐ May

☐ June

☐ July

☐ August

☐ September

☐ October

☐ November

☐ December

15) What was your expenditure for the last audited financial year?

16) What was your income for the last audited financial year?

17) Since the start of the 2008 economic recession your organisation's income has:

	Increased	Stayed the same	Decreased	Unsure
2008	()	()	()	()
2009	()	()	()	()
2010	()	()	()	()
2011	()	()	()	()
2012	()	()	()	()

18) Since the start of the economic recession your organisation's expenditure has:

	Increased	Stayed the same	Decreased	Unsure
2008	()	()	()	()
2009	()	()	()	()
2010	()	()	()	()
2011	()	()	()	()
2012	()	()	()	()

19) Our organisation uses the following methods to raise funds.

	Always	Sometimes	Unsure	Seldom	Never
Service fees (charging for your services)	()	()	()	()	()
Fundraising activities (Cake Sales, special events, tournaments etc)	()	()	()	()	()
Trading (Business activities, selling products, selling services etc)	()	()	()	()	()
Membership fees	()	()	()	()	()
Investments	()	()	()	()	()
Writing proposals	()	()	()	()	()
Personal meetings with potential donors	()	()	()	()	()

Other	()	()	()	()	()
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20) Indicate whether on average income from the following sectors increased or decreased in the past five years?

	Increased	Stayed same	Decreased	Unsure
Government (National)	()	()	()	()
Government (Provincial)	()	()	()	()
Government (Local)	()	()	()	()
National Development Agency	()	()	()	()
National Lottery (Lotto)	()	()	()	()
International Corporate	()	()	()	()
International Government (Bi-Lateral)	()	()	()	()
International faith based organisations	()	()	()	()
International Foundations	()	()	()	()
European Union	()	()	()	()
United Nations	()	()	()	()
South African Corporate	()	()	()	()
South African Private Foundations	()	()	()	()
Individuals	()	()	()	()
Local faith based organisations	()	()	()	()
Community Chest	()	()	()	()
Community Foundations	()	()	()	()
Service Fees	()	()	()	()
Membership fees	()	()	()	()
Trading (Business)	()	()	()	()
Fundraising Activities	()	()	()	()
Investments	()	()	()	()
Work for which you	()	()	()	()

have tendered				
Other	()	()	()	()

21) What percentage of your expenditure is allocated to administration? (administration refers to the costs which are not programme related such as Board, Director, Support staff, office overheads etc)

22) Has a funder ever asked you to limit the amount the organisation spends on administration costs?

☐ Yes

☐ No

☐ Unsure

23) If yes, what percentage did they want you to limit your spending on administration costs to?

24) Does your organisation have financial reserves?

☐ Yes

☐ No

☐ Unsure

25) How many months operating expenditure can you fund from your reserves, should all income cease?

26) Which of the following methods has your organisation used to build up financial reserves? (You may select more than one option)

☐ Interest on investments

☐ VAT returns

☐ Income generation activities

☐ Donor surpluses

☐ Donations from individuals

☐ Bequests

☐ Purchase of buildings or property.

☐ Sale of assets

☐ Other

(27) Does your organisation have a policy on financial reserves?

☐ Yes

☐ No

☐ Unsure

(28) If your organisation experienced reduced income since 2008, indicate whether you used any of the following strategies to remedy the situation? (You may tick more than one option.)

☐ Operated with a deficit

☐ Did not fill staff vacancies

☐ Did not pay salaries

☐ Reduced number of staff

☐ Used organisation's reserves

☐ Cut programmes

☐ Reduced the size of programmes

☐ Reduced operational/administrative costs

☐ Restructured the organisation

☐ Reduced working hours of staff

☐ Reduced the number of beneficiaries served

☐ Reformulated/improved the organisation's funding strategy

☐ Increased debt/borrowing

☐ Improved efficiency

☐ Made use of volunteers

☐ Increased volunteer numbers

☐ Sought bridging funding from another organisation

☐ Considered closure

☐ Other (Please specify)

(29) If your organisation has sought bridging finance from another organisation, which type of organisation assisted you?

☐ Another South African NPO

☐ An international funder

☐ South African government

☐ South African Corporate

☐ A local foundation

☐ An international foundation

☐ An individual

☐ Financial institution

☐ Other

Section D: Funding

This section focuses on the efforts of the organisation to ensure that organisational costs and programmes are funded. This includes the methods employed to ensure these funds are secured.

(30) Please respond to the following statements. All statements refer to South Africa.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
Fundraising for our organisation is difficult.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The political situation makes fundraising difficult.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The economic situation makes fundraising difficult.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government policies make fundraising difficult.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition for funding makes fundraising difficult.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The organisation's financial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

constraints makes it difficult to allocate money to fundraising.					
The skills and capacity in our organisations makes fundraising difficult.	()	()	()	()	()
The gender of the person or persons raising money affects the success of fundraising.	()	()	()	()	()
The director of an organisation should spend most of his/her time fundraising.	()	()	()	()	()
Our board plays an important role in fundraising.	()	()	()	()	()
Our organisation has a full time fundraiser.	()	()	()	()	()
Our organisation has a fundraising strategy.	()	()	()	()	()
Our organisation has a fundraising plan.	()	()	()	()	()
Our organisation has an up to date database of funders and what they fund.	()	()	()	()	()
Our organisation makes regular use of fundraising consultants.	()	()	()	()	()
Fundraising consultants are usually successful in assisting organisations to raise funds.	()	()	()	()	()
Building a relationship with a funder is critical to fundraising success.	()	()	()	()	()
Marketing the organisation is critical to fundraising success.	()	()	()	()	()
Involving donors in building your strategy is critical to fundraising success.	()	()	()	()	()
It is easy to raise funds for the administration of our organisation.	()	()	()	()	()
It is easy to raise funds for staff salaries of our organisation.	()	()	()	()	()
It is easy to raise funds for direct programme costs of our organisation.	()	()	()	()	()
It is easy to raise funds for capital expenditure for the organisation.	()	()	()	()	()

(31) Our organisation uses the following methods to market ourselves.

	Very often	Often	Unsure	Sometimes	Never
Radio	()	()	()	()	()
Television	()	()	()	()	()
Regular Newspaper articles	()	()	()	()	()
Occasional Newspaper articles	()	()	()	()	()
Media briefings	()	()	()	()	()
Opinion pieces in the newspaper	()	()	()	()	()
Special events	()	()	()	()	()
Launches	()	()	()	()	()
Sharing information/materials	()	()	()	()	()
Annual reports	()	()	()	()	()
Speaking at or attending conferences and events	()	()	()	()	()
Social media (Facebook, Twitter etc)	()	()	()	()	()
Web site	()	()	()	()	()
Other	()	()	()	()	()

Section E: Funding from Government, parastatals and government agencies

This section will focus on securing funds from government departments and agencies and understanding the challenges and opportunities in as a result of these relationships.

(32) Has your organisation applied to national government for funding or subsidies?

() Yes

() No

() Unsure

If you answered yes to question 32 please continue with the following questions. If your answer was no or unsure please move on to question 35.

33) To which national departments has your organisation applied for funding. You may tick more than one box. If you are unsure of your answer leave the space provided blank.

	Most recent year applied	Amount applied for	Amount received
Social Development			

Health			
Education			
Arts and Culture			
Sports			
Justice			
Trade and Industries			
Other			

34) Please respond to the following statements. Where your experiences differ between departments, your answer should reflect the department from which you received the largest amount of money.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
National government funding application guidelines are clear and easy to understand.	()	()	()	()	()
National government screening processes are timeous.	()	()	()	()	()
Communication with national government is easy.	()	()	()	()	()
National government responded to queries timeously	()	()	()	()	()
The contract with national government was easy to understand.	()	()	()	()	()
The disbursement of funds from national government was timeous and according to the contract.	()	()	()	()	()
The administration processes at national government were effective.	()	()	()	()	()
Narrative reporting to national government was easy.	()	()	()	()	()
Financial reporting to national government was easy.	()	()	()	()	()
Feedback from national government on our narrative and financial reports was thorough.	()	()	()	()	()

35) Has your organisation applied to provincial government for funding?

() Yes

() No

() Unsure

If you answered yes to question 35 please continue with the following questions. If you answered no or unsure please move on to question 38.

36) To which provinces have you applied for funding? (You may tick more than one box.) Please refer to the Department which has given you the largest amounts of money.

	Year applied	Department/s applied to	Amount/s applied for	Amount/s received
Eastern Cape				
Free State				
Gauteng				
Kwa Zulu Natal				
Limpopo				
Mpumunganga				
Northern Cape				
North West				
Western Cape				

37) Please respond to the following statements. Where you have different experiences with different provinces your answer should reflect your general experience.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
Provincial government application guidelines are clear and easy to understand.	()	()	()	()	()
Provincial government screening processes are timeous.	()	()	()	()	()
Communication with provincial government was easy.	()	()	()	()	()
Provincial government responded to queries timeously	()	()	()	()	()
The contract with provincial government was easy to understand.	()	()	()	()	()
The disbursement of funds from provincial government was timeous and according to the contract.	()	()	()	()	()

The administration processes at provincial government level were effective.	()	()	()	()	()
Narrative reporting to provincial government was easy.	()	()	()	()	()
Financial reporting to provincial government was easy.	()	()	()	()	()
Feedback from provincial government on our reports was thorough.	()	()	()	()	()

38) Has your organisation applied to the National Lotteries Distribution Trust Fund (Lotto) for funding?

() Yes

() No

() Unsure

If you answered yes to question 38 please continue with the following questions. If you answered no or unsure please move on to question 41.

39) Please respond to the following table.

Year in which you applied.	Estimated time it took to receive a funding for your most recent application.	Amount applied for	Amount received

40) Please respond to the following statements.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
Lotto application guidelines are clear and easy to understand.	()	()	()	()	()
Lotto screening processes are timeous.	()	()	()	()	()
Communication with the Lotto was easy.	()	()	()	()	()
The Lotto responded to queries timeously	()	()	()	()	()
The contract with the Lotto was easy to understand.	()	()	()	()	()

The disbursement of grants from the Lotto was timeous and according to the contract.	()	()	()	()	()
The administration processes at the Lotto were effective.	()	()	()	()	()
Narrative reporting to the Lotto was easy.	()	()	()	()	()
Financial reporting to the Lotto was easy.	()	()	()	()	()
Feedback from the Lotto on our reports was thorough.	()	()	()	()	()

41) Has your organisation applied to the National Development Agency (NDA) for funding?

() Yes

() No

() Unsure

If you answered yes to question 41 please continue with the following questions. If you answered no or unsure please move on to question 44.

42) Please respond to the following table as accurately as possible. If you do not know the answer leave the space open.

Years in which your organisation applied.	Estimated time it took to receive a funding for your most recent application.	Amount applied for	Amount received

43) Please respond to the following statements.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
NDA application guidelines are clear and easy to understand.	()	()	()	()	()
NDA screening processes are timeous.	()	()	()	()	()
Communication with the NDA was easy.	()	()	()	()	()
The NDA responded to queries	()	()	()	()	()

timeously.					
The contract with the NDA was easy to understand.	()	()	()	()	()
The disbursement of grants from the NDA was timeous and according to the contract.	()	()	()	()	()
The administration processes at the NDA were effective.	()	()	()	()	()
Narrative reporting to the NDA was easy.	()	()	()	()	()
Financial reporting to the NDA was easy.	()	()	()	()	()
Feedback from the NDA on our reports was thorough.	()	()	()	()	()

Section F: South African Corporates or business

This section focusses on the experiences of the non-profit sector in raising funds from the corporate or business sector in South Africa. This sector is also referred to as business or corporate social responsibility.

44) Has your organisation applied to South African Corporates for funding?

() Yes

() No

() Unsure

If you answered yes to question 44 please continue with the following questions, if your answer was no or unsure move on to question no 46.

45) Please respond to the following statements. Respond reflecting on your organisation's overall experience of South African Corporates.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
South African Corporates application guidelines are clear and easy to understand.	()	()	()	()	()
South African Corporates screening processes are timeous.	()	()	()	()	()
Communication with South African Corporates was easy.	()	()	()	()	()
South African Corporates responded to queries timeously.	()	()	()	()	()
South African Corporates use contracts which are easy to understand.	()	()	()	()	()

The disbursement of grants from South African Corporates is timeous and according to the contract.	()	()	()	()	()
South African Corporate administration processes are effective.	()	()	()	()	()
Narrative reporting to South African Corporates is easy.	()	()	()	()	()
Financial reporting to the South African Corporates is easy.	()	()	()	()	()
Feedback from South African Corporates on our reports was thorough.	()	()	()	()	()
South African corporates only fund organisations which are BEE compliant.	()	()	()	()	()

Section G: Funding Practices.

This section focuses on the approaches by funders which help or hinder the effectiveness of organisations.

46) Please respond to the following statements.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
Our organisation has been approached by a funder/s and asked to change the focus of our work.	()	()	()	()	()
Our organisation would be willing to change focus if it meant increasing our income from funders.	()	()	()	()	()
Finding new funders is challenging for our organisation.	()	()	()	()	()
Understanding funders' criteria is challenging for our organisation.	()	()	()	()	()
Initiating contact with new funders is challenging.	()	()	()	()	()
Building relationships with new funders is challenging.	()	()	()	()	()
Writing funding proposals is challenging.	()	()	()	()	()
Our organisation copes well with funder reports.	()	()	()	()	()
Our organisation manages to meet all funder deadlines.	()	()	()	()	()
Our organisation has good financial management systems in place.	()	()	()	()	()
Our organisation had had positive experiences of exiting a relationship with	()	()	()	()	()

donors.					
Our organisation has monitoring and evaluation processes in place.	()	()	()	()	()

Section H: Governance and Board duties

This section focusses on the governance of the organisation and how this contributes to the financial situation in the organisation.

47) Please respond to the following statements.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
Our board has a good understanding of its fiduciary responsibilities.	()	()	()	()	()
Our board is involved in ensuring there are funds for the organisation.	()	()	()	()	()
Our board regularly makes contacts with new donors.	()	()	()	()	()
Our board regularly interacts with donors.	()	()	()	()	()
Our board regularly reviews our financial situation.	()	()	()	()	()
Our management feel supported by the board in their fundraising efforts.	()	()	()	()	()
Our board is well prepared for board meetings.	()	()	()	()	()
We have a fundraising sub-committee on our board.	()	()	()	()	()
Our board takes decisive action when it comes to ensuring our organisation is well resourced.	()	()	()	()	()
Our board has a good understanding of The Independent Code of Good Governance.	()	()	()	()	()
Our board and management has signed the commitment and undertaking to comply to the Independent Code of Good Governance.	()	()	()	()	()
Our board and management has a good understanding of the King III Code of Good Governance.	()	()	()	()	()
Our board and management has taken the decision to adhere to the King III Code of Governance.	()	()	()	()	()

Section I: Current situation in the organisation

This section focuses on the current situation in the organisation and how the organisation has adapted to the changes in the past five years especially since the 2008 economic crisis.

48) Please respond to the following statements.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
Demand for the organisation's services has increased in the past five years.	()	()	()	()	()
Our organisation has continued to deliver services at the same capacity in the past five years.	()	()	()	()	()
Our organisation has been more creative in the past five years about how we deliver our services.	()	()	()	()	()
Our organisation has changed its programmes in the past five years.	()	()	()	()	()
Our organisation's current financial situation is healthy.	()	()	()	()	()
The staff of the organisation are pleased with the current financial situation in the organisation.	()	()	()	()	()
The beneficiaries of the organisation are pleased with the services being delivered by the organisation.	()	()	()	()	()
The leadership of our organisation has had relevant management training.					
The staff involved in fundraising has adequate training in fundraising.					
Our organisation has adapted well to the current economic environment.	()	()	()	()	()
Our organisation has adapted well to the current political environment.					
The number of partnerships we have with other organisations has increased in the past five years.	()	()	()	()	()
Our organisation considers working in partnership with other organisations to be a valuable strategy.	()	()	()	()	()

Section J: Future

49) Please respond to the following statements with your general perception of what should be done in the future.

	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
The NPO sector is critical to the well being of society.	()	()	()	()	()
The NPO sector should be strengthened.					
The government should play an important role in ensuring the financial sustainability of the non-profit sector.	()	()	()	()	()
The corporate sector should take a leadership role in ensuring the financial sustainability of the non-profit sector.	()	()	()	()	()
Foreign funders should play an important role in ensuring the financial sustainability of the non-profit sector.	()	()	()	()	()
Faith based organisations should play an important role in ensuring the financial sustainability of the non-profit sector.	()	()	()	()	()
NPOs in South Africa are too dependent on external sources for their financial sustainability.	()	()	()	()	()
NPOs in South Africa should rethink their sustainability strategies.	()	()	()	()	()
NPOs should not have to spend as much effort as they do on ensuring their financial sustainability.	()	()	()	()	()
South African laws and policies are a hindrance to ensuring the financial sustainability of the non-profit sector.	()	()	()	()	()
The economy is the greatest hindrance to ensuring the financial sustainability of the NPO sector.	()	()	()	()	()
The political situation is the greatest hindrance to the financial sustainability of the NPO sector.	()	()	()	()	()
Our organisations financial sustainability is guaranteed for life.					

50) In a five line statement please make a recommendation on what you should be done in future to improve the financial sustainability of the non-profit sector.

**You have reached the end of this survey.
Thank you for participating in this research.**

Your time and effort is greatly appreciated. Your organisation will receive a summary of the findings once the research process has been completed. This should be early in 2014.

Please remember to send a copy of your audited financial statements for 2011/2012 to

Joanne Harding
Postnet
Suite
Steenberg
7945

APPENDIX C: Personalise follow up email

Dear (Insert name)

Please could you complete the survey.

<http://edu.surveymoz.com/s3/1320228/Current-influences-on-the-Financial-Sustainability-of-the-NPO-Sector>

It should not take more than ten to fifteen minute if you have all the financial information available.

Your contribution will be greatly valued.

Thank you

Joanne Harding
UCT
Masters by Dissertation
Department of Social Development

APPENDIX D: Follow up personalised email

Dear (Insert name)

I appreciate that at this time of the year you are very busy. I am therefore appealing to you to participate in the survey below. The survey will help us to understand the issues regarding the sustainability of the NPO sector in South Africa

<http://edu.surveymzmo.com/s3/1320228/Current-influences-on-the-Financial-Sustainability-of-the-NPO-Sector>

Your contribution would really be greatly valued and if you have all the financial information it should not take you more than 15 minutes.

If you have already completed the survey please let me know.

Thank you so much.

Best wishes

Joanne Harding

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